

SEMI-ANNUAL REPORT 2012

S Split Corp.




strathbridge
ASSET MANAGEMENT

Letter to Shareholders

We are pleased to present the 2012 semi-annual report containing the management report of fund performance and the unaudited financial statements for S Split Corp.

Distributions of \$0.25 per share were paid to Class A shareholders and \$0.26 per share were paid to Preferred shareholders during the six month period ended June 30, 2012. The net asset value per Unit of the Fund decreased 0.7 percent, from \$17.83 per Unit at December 31, 2011 to \$17.71 per Unit at June 30, 2012, primarily as a result of distributions in excess of income earned during the period. The Fund's total return, including reinvestment of distributions, for the six month period ended June 30, 2012 was 2.2 percent. The total return on The Bank of Nova Scotia shares during this period was 5.9 percent. The comparative shortfall is due to option overwriting which limits upside participation while reducing volatility. For a more detailed review of the operation of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all shareholders for their continued support and encourage shareholders 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 split share corporation designed to provide Preferred shareholders with fixed cumulative preferential monthly distributions of 5.25 percent per annum and the Class A shareholders with regular monthly distributions of 6.0 percent per annum on the net asset value of the Fund and return the original issue price of both classes on the termination date of the Fund. The shares are listed on the Toronto Stock Exchange under the ticker symbols SBN.PR.A for the Preferred shares and SBN for the Class A shares. A Unit of the Fund consists of one Preferred share and one Class A share. To accomplish its objectives the Fund invests in common shares of The Bank of Nova Scotia.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the BNS shares and to reduce volatility.

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.

S Split Corp.

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 S Split Corp. (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

For the six months ended June 30, 2012, cash distributions of \$0.25 per share were paid to Class A shareholders compared to \$0.33 per share a year ago. Cash distributions to Preferred shareholders were \$0.26 per share, unchanged from the same period last year.

Since the inception of the Fund in May 2007, the Fund has paid total cash distributions of \$3.06 per Class A share and \$2.69 per Preferred share.

Revenue and Expenses

The Fund’s total revenue was \$0.37 per Unit for the six months ended June 30, 2012, up \$0.03 per Unit compared to the prior year, primarily due to higher dividends earned during the period. Total expenses were \$0.23 per Unit in 2012, down \$0.03 per Unit from 2011, mainly attributable to lower management and service fees resulting from lower net asset values. The Fund had a net realized and unrealized gain of \$0.25 per Unit in the first half of 2012 as compared to a net realized and unrealized gain of \$0.61 per Unit a year earlier.

Net Asset Value

The net asset value per Unit of the Fund decreased 0.7 percent, from \$17.83 per Unit at December 31, 2011 to \$17.71 per Unit at

Management Report of Fund Performance

June 30, 2012, primarily as a result of distributions in excess of income earned during the period. The aggregate net asset value of the Fund decreased \$4.8 million, from \$63.4 million at December 31, 2011 to \$58.6 million at June 30, 2012, reflecting annual redemption of \$4.3 million and cash distributions of \$1.8 million, partially offset by an increase from operations of \$1.4 million.

During the six months ended June 30, 2012, the total return of the Fund was 2.2 percent. The total return of The Bank of Nova Scotia (“BNS”) during the same period was 5.9 percent. The total return of BNS 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:

S Split Corp.

Management Report of Fund Performance

- 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,
- Changes to the presentation of shareholder equity to consider puttable instruments,
- 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 April 26, 2007, 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 Management Agreement made between the Fund and MCM dated April 26, 2007. 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. In accordance with NI 81-107, the IRC became operational on November 1, 2007. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

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 date on May 17, 2007.

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, 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⁾	\$	17.81
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		0.37
Total expenses		(0.23)
Realized gain (loss) for the period		(0.31)
Unrealized gain (loss) for the period		0.56
Total Increase (Decrease) from Operations ⁽²⁾		0.39
DISTRIBUTIONS		
Class A Share		
From net investment income		-
Non-taxable distributions		(0.25)
Total Class A Share Distributions		(0.25)
Preferred Share		
From net investment income		(0.12)
Non-taxable distributions		(0.14)
Total Preferred Share Distributions		(0.26)
Total Distributions ⁽³⁾		(0.51)
Net Assets, end of period (based on bid prices) ⁽¹⁾	\$	17.68

(1) Net Assets per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability 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 excluding Preferred share distributions, and is calculated based on the weighted average number of Units outstanding during the period.

	Six months ended June 30, 2012	
RATIOS/SUPPLEMENTAL DATA		
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$	58.64
Net Asset Value (\$millions)	\$	25.52
Number of units outstanding		3,311,112
Management expense ratio ⁽¹⁾		2.48% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾		1.46%
Trading expense ratio ⁽³⁾		0.00% ⁽⁴⁾
Net Asset Value per Unit ⁽⁵⁾	\$	17.71
Closing market price - Class A	\$	6.25
Closing market price - Preferred	\$	10.13

(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 and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. The MER for 2011, 2010 and 2009 includes the warrant offering costs and/or warrant exercise fees. The MER for 2011, 2010 and 2009 excluding the warrant offering costs and/or warrant exercise fees is 2.36%, 2.26% and 2.30% respectively. The MER, including Preferred share distributions, is 5.36%, 5.52%, 5.48%, 5.39%, 4.73% and 4.49% for 2012, 2011, 2010, 2009, 2008 and 2007 respectively.

(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.

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.

		Periods ended December 31							
		2011	2010	2009	2008	2007 ⁽⁴⁾			
\$	21.45	\$	20.89	\$	16.98	\$	22.96	\$	25.00
	0.70		0.72		0.89		0.64		0.64
	(0.49)		(0.50)		(0.47)		(0.47)		(0.36)
	1.09		0.27		(2.67)		(0.76)		0.01
	(2.36)		1.46		7.04		(4.13)		(1.50)
	(1.06)		1.95		4.79		(4.72)		(1.21)
	(0.16)		–		–		–		(0.07)
	(0.43)		(0.62)		(0.42)		(0.67)		(0.44)
	(0.59)		(0.62)		(0.42)		(0.67)		(0.51)
	(0.53)		(0.17)		(0.29)		(0.17)		(0.03)
	–		(0.36)		(0.24)		(0.36)		–
	(0.53)		(0.53)		(0.53)		(0.53)		(0.33)
	(1.12)		(1.15)		(0.95)		(1.20)		(0.84)
\$	17.81	\$	21.45	\$	20.89	\$	16.98	\$	22.96

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.

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

(4) For the period from inception on May 17, 2007 to December 31, 2007.

		Periods ended December 31							
		2011	2010	2009	2008	2007			
\$	63.41	\$	84.36	\$	79.80	\$	74.49	\$	108.61
\$	27.84	\$	45.05	\$	41.62	\$	30.75	\$	61.41
	3,556,512		3,930,870		3,818,900		4,374,300		4,719,300
	2.88%		2.93%		2.52%		2.22%		0.90% ⁽⁴⁾
	45.90%		54.87%		18.07%		9.10%		9.34%
	0.07%		0.04%		7.00%		0.05%		0.05% ⁽⁴⁾
\$	17.83	\$	21.46	\$	20.90	\$	17.02	\$	23.01
\$	6.00	\$	8.95	\$	8.50	\$	4.50	\$	9.90
\$	10.35	\$	10.38	\$	10.00	\$	9.25	\$	10.19

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, excluding the Redeemable Preferred Share liability and including the valuation of securities at closing prices, divided by the number of Units then outstanding.

S Split Corp.

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 1.55 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 Management 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 Management Agreement include providing or arranging for required administrative services to the Fund.

Retraction Fee

If a retraction of a Class A Share or Preferred Share occurs prior to July 2014, a retraction fee payable to Strathbridge by the retracting shareholder will be deducted by Strathbridge from the amount otherwise receivable by the retracting shareholder to compensate Strathbridge, in part, for paying the Agents' fees and expenses of the offering.

Past Performance

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

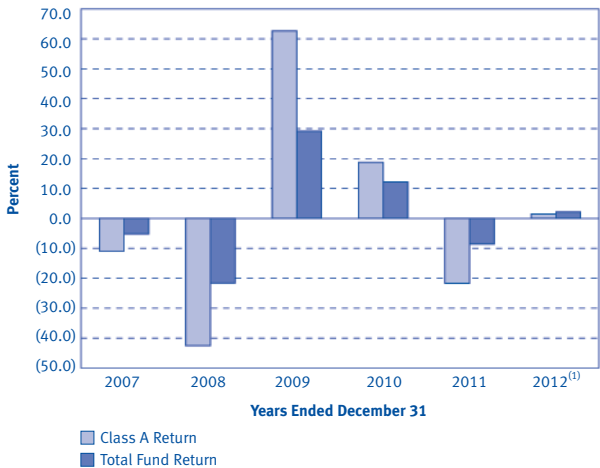
- (1) the information shown assumes that all distributions (including deemed distributions based on the intrinsic value of the warrants exercised prior to the expiry date of the warrants) made by the Fund during these periods were reinvested in Units of the Fund,
- (2) the information does not take into 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.

Management Report of Fund Performance

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year in each of the past five 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 or the date of inception in 2007 would have increased or decreased by the end of the fiscal year or June 30, 2012 for the six months ended.

Annual Total Return



⁽¹⁾ For the six months ended June 30, 2012.

Portfolio Manager Report

The net asset value of the Fund at June 30, 2012 was \$17.71 per Unit compared to \$17.83 per Unit on December 31, 2011. The Fund's Class A and Preferred Shares, listed on the Toronto Stock Exchange as SBN and SBN.PR.A, closed on June 29, 2012 at \$6.25 and \$10.13 respectively which, when combined, represent a 7.5 percent discount to the net asset value. Distributions of \$0.25 per share were paid to Class A shareholders and \$0.26 per share were paid to Preferred shareholders during the six month period.

The price of BNS shares at June 30, 2012 was \$52.74 compared to \$50.83 on December 31, 2011. BNS paid dividends of \$1.10 during the six months ended June 30, 2012. BNS raised its dividend by \$0.03 again in 2012 and now pays \$0.55 per share. Two dividends were paid in the first six months of 2012.

Management Report of Fund Performance

Growth in the Canadian economy has been sporadic at best in 2012. Uncertainty, in Europe especially, has plagued the markets and driven prices generally lower in the past six months. Canadian banks, however, were mostly positive. BNS was the second best performer of the top five banks.

The Fund held minimal cash during this period which helped overall performance. On average, the Fund was overwritten just under one-quarter of the holdings during the first half of the year. Given the positive performance of the shares and relatively high realized volatility, overwriting activity contributed negatively to Fund performance during this period.

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 and Portfolio Holdings

June 30, 2012

	% of Net Asset Value ⁽¹⁾
Financials - The Bank of Nova Scotia	107 %
Other Assets (Liabilities)	(7)%
	100 %

⁽¹⁾ The Net Asset Value excludes the Redeemable Preferred Share liability.

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

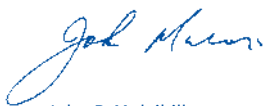
Management's Responsibility for Financial Reporting

The accompanying financial statements of S Split Corp. (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 Directors (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 Audit Committee 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 Audit Committee and the Board.



John P. Mulvihill
Director

Strathbridge Asset Management Inc.



John D. Germain
Director

Strathbridge Asset Management Inc.

August 7, 2012

Notice to Shareholders

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.

Financial Statements

Statements of Financial Position

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

	2012	2011
ASSETS		
Investments at fair value (cost - \$62,156,998; 2011 - \$63,756,163)	\$ 62,153,092	\$ 61,775,568
Short-term investments at fair value (cost - nil; 2011 - \$698,264)	-	698,264
Cash	233,392	376,991
Accrued interest	-	1,393
Income tax recoverable	8,487	-
Dividends receivable	652,025	637,260
TOTAL ASSETS	\$ 63,046,996	\$ 63,489,476
LIABILITIES		
Redemptions payable	\$ 4,198,500	\$ -
Retraction fee payable	147,240	-
Accrued management fees	85,353	89,041
Accrued liabilities	63,041	68,380
Redeemable Preferred shares	33,111,120	35,565,120
	37,605,254	35,722,541
EQUITY		
Class A and Class J shares	39,575,747	42,508,867
Deficit	(14,134,005)	(14,741,932)
	25,441,742	27,766,935
TOTAL LIABILITIES AND EQUITY	\$ 63,046,996	\$ 63,489,476
Number of Units Outstanding	3,311,112	3,556,512
Net Assets per Unit		
Preferred Share	\$ 10.0000	\$ 10.0000
Class A Share	7.6837	7.8074
Net Assets per Unit (Note 2)	\$ 17.6837	\$ 17.8074

Financial Statements

Statements of Operations and Deficit

Six months ended June 30 (Unaudited)

	2012	2011
REVENUE		
Dividends	\$ 1,307,900	\$ 1,831,582
Interest	896	31,923
TOTAL REVENUE	1,308,796	1,863,505
EXPENSES		
Management fees	532,634	962,512
Service fees	73,763	152,519
Administrative and other expenses	77,128	89,521
Transaction fees (Note 3)	835	36,678
Custodian fees	12,109	15,485
Audit fees	13,872	13,667
Director fees	10,445	10,445
Independent review committee fees	4,040	3,851
Legal fees	2,734	-
Shareholder reporting costs	12,638	15,706
Harmonized sales tax	60,961	105,034
TOTAL EXPENSES	801,159	1,405,418
Net Investment Income before Distributions	507,637	458,087
Preferred share distributions	(933,584)	(1,469,714)
Net Investment Loss	(425,947)	(1,011,627)
Net realized gain (loss) sale of on derivatives	(1,183,551)	1,032,629
Net realized gain sale of on investments	79,593	3,974,162
Net Gain (Loss) on Sale of Investments	(1,103,958)	5,006,791
Net change in unrealized appreciation/depreciation of Investments	1,976,689	(1,754,904)
Net Gain on Investments	872,731	3,251,887
NET INCOME FOR THE PERIOD	\$ 446,784	\$ 2,240,260
NET INCOME PER CLASS A SHARE (based on the weighted average number of Class A Shares outstanding during the period of 3,555,164; 2011 - 5,412,534)		
	\$ 0.1257	\$ 0.4139
DEFICIT		
Balance, beginning of period	\$ (14,741,932)	\$ (7,169,722)
Net allocations on retractions	1,041,380	2,432,982
Net income for the period	446,784	2,240,260
Distributions on Class A Shares	(880,237)	(1,854,920)
BALANCE, END OF PERIOD	\$ (14,134,005)	\$ (4,351,400)

Financial Statements

Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2012	2011
NET ASSETS, BEGINNING OF PERIOD	\$ 27,766,935	\$ 44,990,742
Net Investment Income before Distributions	507,637	458,087
Net Gain on Investments	872,731	3,251,887
Class A Share Capital Transactions		
Proceeds from Class A shares issued, net of warrant exercise fees	-	14,759,991
Value for Class A shares redeemed	(1,891,740)	(21,969,045)
	(1,891,740)	(7,209,054)
Distributions		
Class A Shares		
From net investment income	-	(337,801)
Non-taxable distributions	(880,237)	(1,517,119)
Preferred Shares		
From net investment income	(441,692)	(1,469,714)
Non-taxable distributions	(491,892)	-
	(1,813,821)	(3,324,634)
Changes in Net Assets during the Period	(2,325,193)	(6,823,714)
NET ASSETS, END OF PERIOD	\$ 25,441,742	\$ 38,167,028

Statements of Cash Flows

For the six months ended June 30 (Unaudited)

	2012	2011
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	\$ 1,075,255	\$ 23,678,180
Cash Flows Provided by (Used in)		
Operating Activities		
Net Investment Income before Distributions	507,637	458,087
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Purchase of investment securities	1,432,501	(39,393,432)
Proceeds from disposition of investment securities	(937,294)	42,447,787
(Increase)/decrease in dividends receivable, accrued interest and due from brokers - investments	(21,859)	(32,249,439)
Increase/(decrease) in accrued management fees, accrued liabilities and due to brokers - investments	(9,027)	(11,527,223)
	464,321	(40,722,307)
Cash Flows Provided by (Used In) Financing Activities		
Proceeds from issuance of Units, net of warrant exercise fees	-	31,440,411
Distributions to Class A shares	(880,237)	(1,854,920)
Distributions to Preferred shares	(933,584)	(1,469,714)
Class A share redemptions	-	(197,511)
Preferred share redemptions	-	(181,000)
	(1,813,821)	27,737,266
Net Increase/(Decrease) in Cash and Short- Term Investments During the Period	(841,863)	(12,526,954)
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	\$ 233,392	\$ 11,151,226
Cash and Short-Term Investments comprised of:		
Cash	\$ 233,392	\$ 127,337
Short-Term Investments	-	11,023,889
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	\$ 233,392	\$ 11,151,226

Financial Statements

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				
The Bank of Nova Scotia	1,185,500	\$ 61,940,638	\$ 62,440,285	106.6 %
Total Canadian Common Shares		\$ 61,940,638	\$ 62,440,285	106.6 %
Options				
Purchased Put Options (100 shares per contract)				
The Bank of Nova Scotia				
- August 2012 @ \$53	1,490	\$ 335,250	\$ 234,074	
The Bank of Nova Scotia				
- September 2012 @ \$51	746	186,127	111,097	
The Bank of Nova Scotia				
- September 2012 @ \$52	745	192,955	120,337	
Total Purchased Put Options		714,332	465,508	0.8 %
Written Covered Call Options (100 shares per contract)				
The Bank of Nova Scotia				
- July 2012 @ \$51	(2,981)	(256,366)	(456,304)	
The Bank of Nova Scotia				
- July 2012 @ \$53	(2,947)	(209,237)	(296,397)	
Total Written Covered Call Options		(465,603)	(752,701)	(1.3) %
Total Options		\$ 248,729	\$ (287,193)	(0.5) %
Adjustment for transaction costs		(32,369)		
TOTAL INVESTMENTS		\$ 62,156,998	\$ 62,153,092	106.1 %
OTHER NET LIABILITIES			(3,600,230)	(6.1)%
TOTAL NET ASSETS, excluding the Redeemable Preferred Share liability			\$ 58,552,862	100.0 %

Notes to Financial Statements

June 30, 2012

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)	\$ 17.7088	\$ 17.8280
Difference	(0.0251)	(0.0206)
Net Assets (for financial statement purposes)	\$ 17.6837	\$ 17.8074

3. Transaction Fees

Total transaction fees for the six month period ended June 30, 2012 in connection with portfolio transactions were \$835 (June 30, 2011 - \$36,678). Of this amount \$285 (June 30, 2011 - \$8,755) was directed to cover payment of research services provided to the Investment Manager.

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 10 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	\$ 62,440,285	\$ -	\$ -	\$ 62,440,285
Options	-	(287,193)	-	(287,193)
Total Investments	\$ 62,440,285	\$ (287,193)	\$ -	\$ 62,153,092

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	\$ -	\$ 699,657	\$ -	\$ 699,657
Canadian Common Shares	62,218,635	-	-	62,218,635
Options	-	(443,067)	-	(443,067)
Total Investments	\$ 62,218,635	\$ 256,590	\$ -	\$ 62,475,225

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 107 percent (December 31, 2011 - 98 percent) of the Fund's net assets, excluding the Redeemable Preferred Share liability, held at June 30, 2012 were in a publicly traded equity. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2012, the net assets, excluding the Redeemable Preferred Share liability, of the Fund would have increased or decreased by \$6.2M (December 31, 2011 - \$6.2M) respectively or 10.7 percent (December 31, 2011 - 9.8 percent) of the net assets, excluding the Redeemable Preferred Share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

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+
USB 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+
USB 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.

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.

6. Comparative Figures

Class A distributions for the six month period ended June 30, 2011 of \$154,322 have been reclassified from non-taxable distributions to net investment income to conform with the presentation in the most recent audited financial statements for the year ended December 31, 2011.

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

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Visit our website at www.strathbridge.com for additional information on all Strathbridge Investment Funds.

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