ANNUAL REPORT
2013

GOLD PARTICIPATION AND INCOME FUND

strathbridge
ASSET MANAGEMENT

Letter to Unitholders

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

2013 was a very strong year for Global equity markets with many indices making new all-time highs. Although the year was dominated by news events that caused concern for financial markets, world stock markets continued to rise on the back of stronger economic data and accommodative central bank monetary policy. For the year ended December 31, 2013, the S&P/TSX Composite Index generated a total return of 13.0 percent while the S&P 500 Index was up 32.3 percent, outperforming its Canadian counterpart for the third year in a row. The Canadian economy showed small signs of improvement during the year but was not enough to compel the Bank of Canada to tighten interest rates. The Canadian dollar opened the year around par versus the U.S. dollar but ended 2013 at 94.1 cents, its lowest level since the middle of 2010.

The price of gold started the year at US$1,675 and closed at US$1,206 on December 31, 2013. The S&P/TSX Global Gold Index total return for the year ended December 31, 2013 was negative 47.4 percent as compared to the Fund's annual total return, including reinvestment of distributions, of negative 38.9 percent. The Fund paid total cash distributions of $0.49 per unit during the 2013 fiscal year, contributing to the overall decline in the net asset value ("NAV") from $9.82 per unit at December 31, 2012 to $5.60 per unit at December 31, 2013. The decline in NAV, however, was mitigated by the Strathbridge Selective Overwriting strategy (see "The Fund") which generated a net realized gain on options of $0.17 per unit. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all unitholders for their continued support and encourage unitholders to review the more detailed information contained within the 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 Fund while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

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Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2013 of Gold Participation and Income Fund (the “Fund”). The annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9, or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Investment Objectives and Strategies

The Fund’s investment objectives are to:

(1) maximize total returns for unitholders including both long-term appreciation in net asset value (‘‘NAV’’) per unit and cash distributions, and

(2) pay unitholders monthly distributions in an amount targeted to be 6.5 percent per annum on the NAV of the Fund.

The Fund is 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 Fund achieves its objectives by investing 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.

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Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2013 annual information form, which is available on the Fund’s website at www.strathbridge.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the year that materially affected the risks associated with an investment in the securities of the Fund.

Results of Operations

Distributions

For the year ended December 31, 2013, cash distributions of $0.49 per unit were paid to unitholders compared to $0.71 per unit a year ago.

Since the inception of the Fund on August 7, 2009, the Fund has paid total distributions of $4.29 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 year ended December 31, 2013, the Fund's total revenue was $0.05 per unit remained unchanged from a year ago. Total expenses in 2013 were $0.27 per unit, down from $0.29 per unit a year ago due to lower management fees incurred in the current year. The Fund had a net realized and unrealized loss of $3.48 per unit in 2013 as compared to a net realized and unrealized gain of $0.05 per unit in the prior year.

Net Asset Value

The net asset value per unit of the Fund decreased 43.0 percent from $9.82 per unit at December 31, 2012 to $5.60 per unit at December 31, 2013, mainly attributable to a decrease in net assets from operations, redemptions and cash distributions in the year. During the same period, the total net asset value of the Fund decreased $7.8 million from $15.7 million at December 31, 2012 to $7.9 million at December 31, 2013, reflecting redemptions of $1.8 million, cash distributions of $0.7 million and a net decrease in net assets from operations of $5.3 million.

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 December 31, 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 first semi-annual and annual financial statements in accordance with IFRS, with comparative information, for the period ended June 30, 2014 and year ending December 31, 2014 respectively.

As at December 31, 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.

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 Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and 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 year, no recommendations or approvals were required to be sought from the Independent Review Committee ("IRC") concerning related party transactions.

Independent Review Committee

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

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

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception on August 7, 2009. This information is derived from the Fund's audited annual financial statements.

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

Periods ended December 31	**2013**	2012	2011	2010	2009[4]
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of period (based on bid prices)[1]	**$ 9.80**	$ 11.40	$ 13.56	$ 12.14	$ 11.19[5]
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.05**	0.05	0.04	0.03	0.03
Total expenses	**(0.27)**	(0.29)	(0.38)	(0.32)	(0.15)
Realized gain (loss) for the period	**(2.47)**	0.02	(0.53)	2.19	0.83
Unrealized gain (loss) for the period	**(1.01)**	0.03	(1.52)	0.95	0.54
Total Increase (Decrease) from Operations[2]	**(3.70)**	(0.19)	(2.39)	2.85	1.25
DISTRIBUTIONS					
From net investment income	**–**	(0.67)	(0.18)	(0.58)	(0.10)
From capital gains	**–**	–	–	(0.95)	(0.63)
Non-taxable distributions	**(0.49)**	(0.04)	(0.67)	–	–
Total Annual Distributions[3]	**(0.49)**	(0.71)	(0.85)	(1.53)	(0.73)
Net Assets, as at December 31 (based on bid prices)[1]	**$ 5.60**	$ 9.80	$ 11.40	$ 13.56	$ 12.14

(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.
(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.

Periods ended December 31	**2013**	2012	2011	2010	2009[7]
RATIOS/SUPPLEMENTAL DATA					
Net Asset Value ($millions)[1]	**$ 7.92**	$ 15.71	$ 32.73	$ 43.78	$ 28.57
Number of units outstanding[1]	**1,413,077**	1,599,034	2,870,624	3,226,994	2,350,100
Management expense ratio[2]	**2.94%**	2.17%	2.86%	1.95%	1.98%[5]
Portfolio turnover rate[3]	**136.69%**	136.49%	212.19%	212.02%	78.35%
Trading expense ratio[4]	**0.72%**	0.49%	0.48%	0.52%	1.08%[5]
Net Asset Value per unit[6]	**$ 5.60**	$ 9.82	$ 11.40	$ 13.57	$ 12.16
Closing market price	**$ 5.38**	$ 9.78	$ 11.15	$ 14.20	$ 10.46

(1) This information is provided as at December 31.
(2) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. 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 the issuance costs is 8.79%.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
(5) Annualized.
(6) 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.
(7) For the period from inception on August 7, 2009 to December 31, 2009.

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 and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

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

Past Performance

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

(1) information shown assumes that all distributions (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,

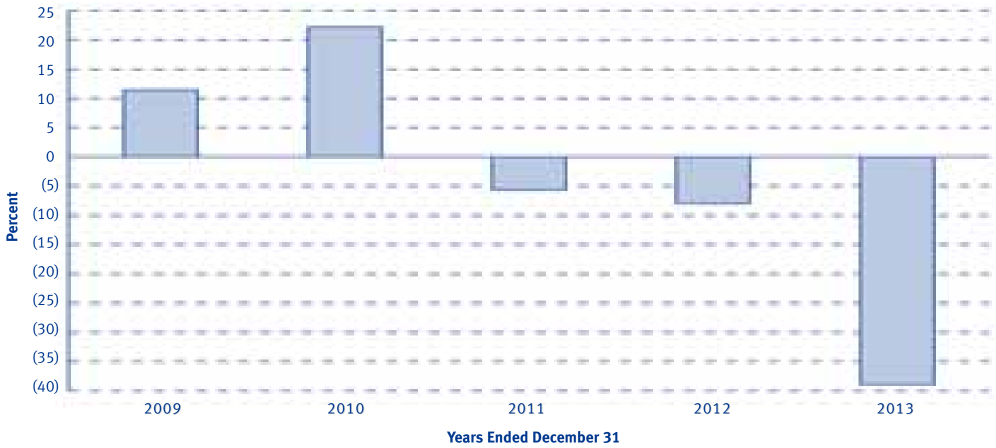
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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 annual total return varied from year to year for each of the past five years. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2009 would have increased or decreased by the end of the fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the periods ended December 31, 2013 as compared to the performance of the S&P/TSX Global Gold Index.

(In Canadian Dollars)	One Year	Three Years	Since Inception[1]
Gold Participation and Income Fund	**(38.92)%**	(19.08)%	(7.14)%
S&P/TSX Global Gold Index[2]	**(47.43)%**	(27.09)%	(13.56)%

[1] From inception of the Fund on August 7, 2009.
[2] S&P/TSX Global Gold Index is a dynamic international benchmark tracking the world's leading gold companies.

The equity performance benchmark shown here provides an approximate indication of how the Fund's returns compare to a public market index for similar securities. It is important to note that the Fund is not managed in order to match or exceed this index; rather, its objectives are to pay out monthly distributions and maximize total returns for unitholders. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to enhance the income generated by the portfolio and reduce volatility.

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

Portfolio Manager Report

Gold prices started the year at US$1,675 and rose marginally higher till mid-January reaching a high of US$1,696 on January 17 before declining drastically to a low of US$1,180 on June 28. Gold then rallied for a couple of months before declining gradually into year-end to close near the lows for the year at US$1,206. Some of the reasons for the gold bullion selloff in the first half of the year, and the resulting negative performance in this monetary asset, are as follows:

(i) Exchange traded funds ("ETF") filled a need for investors to have exposure in gold bullion and possibly helped fuel the 12-year bull run on the commodity in the latter stages. However, the end of this bullish cycle, despite unprecedented money supply expansion by developed central banks, was exacerbated on the downside as investors unwound their gold exposure through gold ETFs as well as ongoing liquidation of gold ETFs by hedge funds.

(ii) Consumers in Asia, especially in India and China, have historically accounted for a large percentage of gold demand, but the recent slowdown in China's economy coupled with the India's weakening rupee and gold import quotas has dampened demand.

(iii) Fears that the financial plight in Cyprus would force its central bank to sell its gold reserves, which in turn might compel other central banks under similar duress to follow suit.

(iv) Inflation expectations have come down in the developed world and some countries in Europe are indeed seeing deflation. There were also concerns about the U.S. Federal Reserve tapering the bond purchasing program.

We continue to see easy monetary policy globally despite the Federal Reserve announcing the tapering of its monthly US$85 billion bond purchasing program by US$10 billion a month beginning in January 2014. It is a popular belief that too much monetary stimulus eventually leads to inflation; however, we have seen a lot of the liquidity from quantitative easing turned into excess reserves which were then deposited back at the central bank. For this reason, inflation has largely stayed muted, as have inflation expectations.

Gold equities suffered significant losses during the year with the S&P/TSX Global Gold Index having a total return of negative 47.4 percent while, in comparison, the SPDR Gold Trust had a total return of negative 23.4 percent in Canadian dollar terms. The annual total return of the Fund, including reinvestment of distributions, for the year ended December 31, 2013 was negative 38.9 percent.

Gold equities continued to underperform bullion and gold companies are being forced to reign in their cost structure given the lower gold price, which should give gold companies some leverage in being able to negotiate wage freezes and more favorable lease terms for mining equipment. There is also a possibility of further merger and acquisition activity given the compelling valuations of some junior gold companies and the opportunity for well-capitalized senior gold companies to add to production and/or reserves at low prices. At the end of the year, the allocation of SPDR Gold Trust was approximately 46 percent. The allocation of the SPDR Gold Trust has fluctuated between 31 and 50 percent of the net assets in the Fund with the balance invested in gold equities while holding an average cash balance of a little over 10 percent through the year. The Fund ended the year with a cash balance of 18 percent of the net asset value.

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

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

December 31, 2013

	% OF NET ASSET VALUE
United States	46 %
Canada	34 %
Cash	18 %
International	3 %
Other Assets (Liabilities)	(1)%
	100 %

Portfolio Holdings

December 31, 2013

	% OF NET ASSET VALUE
SPDR Gold Trust	46 %
Cash	18 %
Barrick Gold Corporation	10 %
Franco-Nevada Corporation	8 %
Goldcorp Inc.	4 %
Alamos Gold Inc.	4 %
Semafo Inc.	3 %
Rangold Resources Limited ADR	3 %
Agnico-Eagle Mines Limited	3 %
Kinross Gold Corporation	2 %

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of Gold Participation and Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager"), and have been approved by the Fund's Board of Advisors (the "Board").

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

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

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

John P. Mulvihill
Director
Strathbridge Asset Management Inc.
March 4, 2014

John D. Germain
Director
Strathbridge Asset Management Inc.

To the Unitholders of Gold Participation and Income Fund

We have audited the accompanying financial statements of Gold Participation and Income Fund, which comprise the statement of investments as at December 31, 2013, the statements of net assets as at December 31, 2013 and 2012, and the statements of financial operations, changes in net assets, and net gain (loss) on sale of investments for years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gold Participation and Income Fund as at December 31, 2013 and 2012, and the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
March 4, 2014
Toronto, Ontario

Statements of Net Assets

As at December 31

		2013		2012
ASSETS				
Investments at fair value (cost - $7,623,574; 2012 - $14,779,400)	**$**	**6,542,256**	$	15,155,890
Cash		**1,428,507**		580,739
Dividends receivable		**–**		5,045
TOTAL ASSETS		**7,970,763**		15,741,674
LIABILITIES				
Accrued liabilities		**55,411**		67,702
TOTAL LIABILITIES		**55,411**		67,702
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$**	**7,915,352**	$	15,673,972
Number of Units Outstanding (Note 5)		**1,413,077**		1,599,034
Net Assets per Unit (Note 4)	**$**	**5.6015**	$	9.8022

On behalf of the Manager,
Strathbridge Asset Management Inc.

John P. Mulvihill, Director

John D. Germain, Director

The notes are an integral part of the Financial Statements.

Statements of Financial Operations

Years ended December 31

		2013		2012
REVENUE				
Dividends	$	67,712	$	96,409
Interest		497		1,333
Withholding taxes		(1,756)		(4,005)
TOTAL REVENUE		66,453		93,737
EXPENSES (Note 6)				
Management fees		81,986		147,998
Service fees		37,070		66,992
Administrative and other expenses		64,047		68,244
Transaction fees (Note 9)		76,135		93,125
Custodian fees		36,007		35,259
Audit fees		27,821		26,824
Advisory board fees		18,900		19,945
Independent review committee fees		7,775		7,976
Legal fees		5,079		3,495
Unitholder reporting costs		9,927		11,995
Harmonized sales tax		21,629		25,330
TOTAL EXPENSES		386,376		507,183
Net Investment Loss		(319,923)		(413,446)
Net realized loss on investments		(3,371,949)		(1,243,160)
Net realized gain on options		256,827		620,494
Net realized gain (loss) on forward exchange contracts		(437,249)		660,953
Net Gain (Loss) on Sale of Investments		(3,552,371)		38,287
Net change in unrealized appreciation/depreciation of investments		(1,452,558)		59,162
Net Gain (Loss) on Investments		(5,004,929)		97,449
NET DECREASE IN NET ASSETS FROM OPERATIONS	$	(5,324,852)	$	(315,997)
NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the year of 1,436,003; 2012 - 1,755,377)	$	(3.7081)	$	(0.1800)

Statements of Changes in Net Assets

Years ended December 31

	2013	2012
NET ASSETS, BEGINNING OF YEAR	$ 15,673,972	$ 32,712,387
Net Decrease in Net Assets from Operations	(5,324,852)	(315,997)
Unit Transactions (Note 5)		
Value for units redeemed	(1,736,076)	(15,510,982)
Distributions to Unitholders (Note 7)		
From net investment income	–	(1,150,736)
Non-taxable distributions	(697,692)	(60,700)
	(697,692)	(1,211,436)
Changes in Net Assets during the Year	(7,758,620)	(17,038,415)
NET ASSETS, END OF YEAR	$ 7,915,352	$ 15,673,972

Statements of Net Gain (Loss) on Sale of Investments

Years ended December 31

	2013	2012
Proceeds from Sale of Investments	$ 16,761,126	$ 40,277,047
Cost of Investments Sold		
Cost of investments, beginning of year	14,779,400	30,755,945
Cost of investments purchased	13,157,671	24,262,215
	27,937,071	55,018,160
Cost of Investments, End of Year	(7,623,574)	(14,779,400)
	20,313,497	40,238,760
NET GAIN (LOSS) ON SALE OF INVESTMENTS	$ (3,552,371)	$ 38,287

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2013

	Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Materials				
Agnico-Eagle Mines Limited	7,200	$ 215,265	$ 201,672	
Alamos Gold Inc.	22,600	348,256	290,636	
Barrick Gold Corporation	43,700	1,013,877	817,627	
Franco-Nevada Corporation	15,200	686,000	657,248	
Goldcorp Inc.	14,100	551,053	324,159	
Kinross Gold Corporation	36,500	193,268	169,360	
Semafo Inc.	94,200	229,448	261,876	
Total Materials		3,237,167	2,722,578	34.4 %
Total Canadian Common Shares		$ 3,237,167	$ 2,722,578	34.4 %
Non-North American Common Shares				
Materials				
Rangold Resources Limited ADR	3,800	$ 307,709	$ 253,554	
Total Non-North American Common Shares		$ 307,709	$ 253,554	3.2 %
Exchange Traded Funds				
SPDR Gold Trust	29,200	$ 4,066,226	$ 3,602,920	45.5 %
Total Exchange Traded Funds		$ 4,066,226	$ 3,602,920	45.5 %
Forward Exchange Contracts				
Sold USD $1,700,000, Bought CAD $1,765,790 @ 0.96274 - January 15, 2014			$ (41,125)	
Sold USD $1,175,000, Bought CAD $1,233,809 @ 0.95234 - February 12, 2014			(15,934)	
Sold USD $1,700,000, Bought CAD $1,812,676 @ 0.93784 - March 12, 2014			3,284	
Total Forward Exchange Contracts			$ (53,775)	(0.7)%
Options				
Purchased Put Options (100 shares per contract)				
SPDR Gold Trust - February 2014 @ $112	30	$ 4,799	$ 5,929	
SPDR Gold Trust - March 2014 @ $104	100	13,298	11,050	
Total Purchased Put Options		18,097	16,979	0.2 %
Total Options		$ 18,097	$ 16,979	0.2 %
Adjustment for transaction fees		(5,625)		
TOTAL INVESTMENTS		$ 7,623,574	$ 6,542,256	82.6 %
OTHER NET ASSETS			1,373,096	17.4 %
TOTAL NET ASSETS			$ 7,915,352	100.0 %

1. Establishment of the Fund

Gold Participation and Income Fund (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario on July 27, 2009. The Fund began operations on August 7, 2009.

Strathbridge Asset Management Inc. (“Strathbridge”) is the Manager as well as the Investment Manager of the Fund. RBC Investor Services Trust is the Custodian of the Fund.

2. Investment Objectives of the Fund

The Fund’s investment objectives are to:

(i) maximize total returns for unitholders including both long-term appreciation in net asset value (‘‘NAV’’) per unit and cash distributions, and

(ii) pay unitholders monthly distributions in an amount targeted to be 6.5 percent per annum on the NAV of the Fund.

The Fund is 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 Fund achieves its objectives by investing 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 (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.

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 Fund while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

3. Summary of Significant Accounting Policies

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

Financial Instruments – Disclosures

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

The significant accounting policies of the Fund are as follows:

Valuation of Investments

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

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

The value of a forward exchange contract shall be the gain or loss that would be realized if, on the valuation date, the position in the forward exchange contract, as the case may be, was to be closed out.

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Financial Operations. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation/depreciation of investments are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received,

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option, and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in net realized gain (loss) on options.

Realized gains and losses relating to purchased put options may arise from:

(i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid,

(ii) Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid, and

(iii) Sale of purchased put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the change in unrealized appreciation/depreciation of investments. The premiums received on written put options that are exercised are included in the cost of the security purchased.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) on short-term investments are reflected as interest income (loss). Realized gains (losses) relating to forward exchange contracts are included in net realized gain (loss) on foward exchange contracts. Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on investments, as appropriate.

4. Net Asset Value

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

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

	2013	2012
Net Asset Value per unit (for pricing purposes)	**$ 5.6049**	$ 9.8223
Difference	**(0.0034)**	(0.0201)
Net Assets per unit (for financial statement purposes)	**$ 5.6015**	$ 9.8022

5. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

Units may be surrendered at any time for redemption to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be redeemed only on a Redemption Date (as defined below). Units surrendered for redemption by a unitholder at least twenty business days prior to the last day in January (the "January Redemption Date") will be redeemed on such January Redemption Date. Units surrendered for redemption by a unitholder at least ten business days prior to the last day of any other month (a "Monthly Redemption Date" and, together with the January Redemption Date, a "Redemption Date"), will be redeemed on such Monthly Redemption Date. If a day that would otherwise be a Redemption Date is not a business day, the Redemption Date is the preceding business day. Unitholders will receive payment for the units on or before the fifteenth day following such Redemption Date (the "Redemption Payment Date").

Unitholders whose units are redeemed on a January Redemption Date will be entitled to receive a redemption price per unit equal to the NAV per unit determined as of such date. For unitholders whose units are redeemed on any other Redemption Date, the redemption price per unit will be equal to the lesser of:

(i) 95 percent of the Market Price. For such purposes, "Market Price" means the weighted average trading price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) for the ten trading days immediately preceding the applicable Redemption Date, and;

(ii) 100 percent of the Closing Market Price of the units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Fund's portfolio. For such purposes, the "Closing Market Price" means the closing price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading).

Any unpaid distribution payable on or before the applicable Redemption Date in respect of units tendered for redemption on such Redemption Date will also be paid on the applicable Redemption Payment Date.

Unit transactions during the year are as follows:

	2013	2012
Units outstanding, beginning of year	**1,599,034**	2,870,624
Units redeemed	**(185,957)**	(1,271,590)
Units outstanding, end of year	**1,413,077**	1,599,034

On January 19, 2012, the Fund filed a Notice of Intention to make a normal course issuer bid to purchase up to 280,382 units representing approximately 10 percent of the Fund's public float of 2,803,824 units as of January 10, 2012. The normal course issuer bid remained in effect until January 23, 2013 and at such time nil units (2012 - nil) had been purchased by the Fund.

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 December 31, 2013, nil units had been purchased by the Fund.

6. Management Fees and Expenses

Strathbridge, as Manager under the terms of the Trust Agreement and as Investment Manager under terms of the Investment Management Agreement, receives fees payable at annual rates of 0.10 percent and 0.70 percent respectively of the Fund's net asset value, calculated and payable monthly, plus applicable taxes.

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and the Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

The Fund pays a service fee equal to 0.40 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly.

In addition to the fees and expenses payable by the Fund, the estimated ordinary expenses of SPDR Gold Trust (including the fees of its trustee, custodian and sponsor), in which the Fund invests, are estimated to be 0.40 percent per annum of SPDR Gold Trust's daily net asset value.

7. Distributions

The Fund endeavours to make monthly cash distributions of net income and net realized capital gains to unitholders on the last day of each month at an amount targeted to be 6.5 percent per annum of the net asset value of the Fund.

If after such distributions there would otherwise remain in the Fund additional net investment income or net realized capital gains, the Fund intends to make a special distribution of such portion of the remaining net investment income and net realized capital gains as is necessary to ensure that the Fund is not liable for income tax under the Income Tax Act (Canada) (the "Act").

8. Income Taxes

The Fund is a "mutual fund trust" as defined in the Act . The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to unitholders is recoverable by the Fund to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2013 or 2012.

Non-capital losses of approximately $1.0M (2012 - nil) are available for utilization against net investment income and expire in 2033. Capital losses of approximately $7.3M (2012 - $4.5M) are available for utilization against realized gains on sale of investments and can be carried forward indefinitely.

Issue costs of approximately $0.05M (2012 - $0.46M) remain undeducted for tax purposes as at year-end.

9. Transaction Fees

Total transaction fees for the year ended December 31, 2013 in connection with portfolio transactions were $76,135 (2012 - $93,125). Of this amount $38,917 (2012 - $39,065) was directed to cover payment of research services provided to the Investment Manager.

10. Capital Disclosures

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures" requires the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Fund's objectives, policies and processes are described in Note 2, information on the Fund's unitholders' equity is described in Note 5 and Note 7 and the Fund does not have any externally imposed capital requirements.

11. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments, certain derivative contracts, receivables and payables. Cash, receivables, and payables are short-term in nature and as such their carrying values approximates fair value. In accordance with CICA Handbook Section 3862, "Financial Instruments - Disclosures" the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

(i) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,

(ii) Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

(iii) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of December 31, 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	$ 2,722,578	$ –	$ –	$ 2,722,578
United States Common Shares	253,554	–	–	253,554
Exchange-Traded Funds	3,602,920	–	–	3,602,920
Forward Exchange Contracts	–	(53,775)	–	(53,775)
Options	16,979	–	–	16,979
Total Investments	$ 6,596,031	$ (53,775)	$ –	$ 6,542,256

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 2013 and 2012.

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include concentration risk, other price risk, liquidity risk, interest rate risk, currency risk and credit risk.

These risks and related risk management practices employed by the Fund are discussed below:

Concentration Risk

The Fund was created to invest in the securities of gold-related issuers and is not expected to have significant exposure to any other investments or assets. Investors should review carefully the continuous disclosure documentation of SPDR Gold Trust for a discussion of the risk factors that it considers applicable to itself and its shares. The Fund's holdings are concentrated in gold-related securities and they are not diversified.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to other price risk arises from its investments in equity securities. Net assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all of the Canadian securities. The Fund's market risk is managed by taking a long-term perspective and utilizing an option writing program, as well as by the use of purchased put options.

Approximately 83 percent (2012 - 97 percent) of the Fund's net assets held at December 31, 2013 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2013, the net assets of the Fund would have increased or decreased by $0.7M (2012 - $1.5M) respectively or 8.3 percent (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.

Liquidity Risk

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments positions to maintain liquidity and to meet its obligations when due. Liabilities are payable within one year.

Cash is required to fund redemptions. Unitholders must surrender units at least 10 business days prior to the last day of the month and receive payment on or before 15 calendar days following the month end valuation date. Therefore the Fund has a maximum of 21 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short-term fixed income securities. The Fund has minimal sensitivity to change in rates since securities are usually held to maturity and are short-term in nature.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The portfolio includes securities and options denominated in foreign currencies. The net asset value of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of the foreign currencies relative to the Canadian dollar. The Fund uses foreign exchange contracts to actively hedge the majority of its foreign currency exposure.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Approximately 61 percent (2012 - 55 percent) of the Fund's net assets at December 31, 2013 were held in cash and equity securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At December 31, 2013 and 2012, the Fund had no currency risk as a result of its investment in foreign currency contracts.

Credit Risk

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The credit risk is mitigated by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102.

The following are the credit ratings for the counterparties to derivative financial instruments that were authorized for trading with the Fund during the year based on Standard & Poor's credit ratings as of December 31, 2013:

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
Deutsche Bank	A	A-1
National Bank of Canada	A	A-1
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
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 Fund held no short-term investments at December 31, 2013 and 2012.

12. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2011. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies. Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for the year beginning on January 1, 2014 and will issue its first semi-annual and annual financial statements in accordance with IFRS, with comparative information, for the period ending June 30, 2014 and the year ending December 31, 2014 respectively.

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.

Board of Advisors

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

John D. Germain
Senior Vice-President & Chief Financial Officer
Strathbridge Asset Management Inc.

Michael M. Koerner[1]
Corporate Director

Robert W. Korthals[1]
Corporate Director

Robert G. Bertram[1]
Corporate Director

[1] *Independent Review Committee Member*

Information

Independent Auditor:
Deloitte LLP
Brookfield Place
181 Bay Street, Suite 1400
Toronto, Ontario
M5J 2V1

Transfer Agent:
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario
M5J 2Y1

Units Listed:
Toronto Stock Exchange
trading under
GPF.UN

Custodian:
RBC Investor Services Trust
RBC Centre
155 Wellington Street West, 2nd Floor
Toronto, Ontario
M5V 3L3

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

Investment Funds Managed by Strathbridge Asset Management Inc.

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)
NDX Growth & Income Fund (NGI.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)

Head Office:

Strathbridge Asset Management Inc.
121 King Street West, Suite 2600
Standard Life Centre, P.O. Box 113
Toronto, Ontario
M5H 3T9

Tel: 416-681-3966
Toll Free: 1-800-725-7172
Fax: 416-681-3901
Email: info@strathbridge.com

Contact your broker directly for address changes.

strathbridge
ASSET MANAGEMENT

www.strathbridge.com

Strathbridge Asset Management Inc.
Investor Relations
121 King Street West, Suite 2600
Standard Life Centre, P.O. Box 113
Toronto, Ontario
M5H 3T9

Tel: 416-681-3966
Toll Free: 1-800-725-7172
Fax: 416-681-3901
Email: info@strathbridge.com