SEMI-ANNUAL REPORT 2012

Canadian Utilities & Telecom Income Fund

strathbridge
ASSET MANAGEMENT

Letter to Unitholders

We are pleased to present the 2012 semi-annual report containing the management report of fund performance and the unaudited financial statements for Canadian Utilities & Telecom Income Fund.

During the six months ended June 30, 2012, the Fund paid distributions of $0.43 per unit. The net asset value per unit decreased from $12.42 per unit at December 31, 2011 to $11.87 per unit at June 30, 2012. For the six month period, the Fund had a total return of negative 0.9 percent, mainly reflecting a decline in the value of investments in the portfolio. Due to the low level of volatility in the Canadian Utilities and Telecommunication Services companies for the majority of the period, the Strathbridge Selective Overwriting (see “The Fund”) activity, which generated a net realized gain on options of $0.01 per unit, was limited to select holdings as the lower volatility did not compensate the Fund enough to justify this activity. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

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

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

The Fund

The Fund is a closed-end investment trust designed to maximize total returns for unitholders including both long-term appreciation in net asset value (“NAV”) per unit and to pay unitholders monthly distributions in an amount targeted to be 7.0 percent per annum on the NAV of the Fund. The units are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol UTE.UN. To accomplish its objectives, the Fund invests in a portfolio principally consisting of equity securities of large capitalization (over $1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the TSX. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum.

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

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

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 Canadian Utilities & Telecom Income Fund (the "Fund"). The unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, 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 $0.43 per unit were paid to unitholders, unchanged from the prior year.

Since the inception of the Fund in December 2010, the Fund has paid total cash distributions of $1.27 per unit.

Revenue and Expenses

For the six months ended June 30, 2012, the Fund's total revenue was $0.25 per unit, down $0.04 per unit from last year largely due to lower dividend income. Total expenses per unit were $0.14 per unit, unchanged from the prior year. The Fund had a net realized and unrealized loss of $0.24 per unit in the first half of 2012 as compared to a net realized and unrealized gain of $0.62 per unit a year earlier.

Net Asset Value

The net asset value per unit of the Fund decreased 4.4 percent from $12.42 per unit at December 31, 2011 to $11.87 per unit at June 30, 2012. The total net asset value of the Fund declined by $12.0 million, from $62.8 million at December 31, 2011 to $50.8 million at June 30, 2012, primarily reflecting annual redemption of $9.2 million and cash distributions of $2.2 million.

During the six months ended June 30, 2012, the total return of the Fund was negative 0.9 percent, reflecting a decline in the value of investments in the portfolio. Over the same period, the S&P/TSX Capped Utilities Index (the "Utilities Index") total return was 0.6

percent while the S&P/TSX Capped Telecommunication Services Index (the "Telecommunications Index") was up 1.9 percent. The equal-weighted total return of the issuers that make up the portfolio universe during the period was 0.2 percent. As a result of the Fund being limited to a specific universe of stocks and utilizing a covered call writing strategy to generate income, comparisons with market indices may not be appropriate. The Utilities and the Telecommunications Indices are 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

On January 19, 2012, the Fund filed a Notice of Intention to make a normal course issuer bid to purchase up to 505,900 units representing approximately 10 percent of the Fund's public float of 5,059,000 units as of January 10, 2012. The Fund may purchase up to 101,200 units in any 30-day period which is 2 percent of the 5,060,000 units issued and outstanding as at January 10, 2012. The units may be purchased for cancellation from January 23, 2012 to January 22, 2013 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2012, nil units had been purchased by the Fund.

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.

Management Report of Fund Performance

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

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles ("Canadian GAAP") where investment fund accounting was based upon guidance in AcG-18,
- Implementation of cash flow statements,
- 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 November 26, 2010, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated November 26, 2010. 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.

Independent Review Committee

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

Canadian Utilities & Telecom Income Fund

Management Report of Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception on December 17, 2010.

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.

NET ASSETS PER UNIT

Net Assets, beginning of period (based on bid prices)[1]

INCREASE (DECREASE) FROM OPERATIONS

Total revenue

Total expenses

Realized gain (loss) for the period

Unrealized gain (loss) for the period

Total Increase (Decrease) from Operations[2]

DISTRIBUTIONS

From net investment income

From capital gains

Non-taxable distributions

Total Distributions[3]

Net Assets, end of period (based on bid prices)[1]

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

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

RATIOS/SUPPLEMENTAL DATA

Net Asset Value ($millions)

Number of units outstanding

Management expense ratio[1]

Portfolio turnover rate[2]

Trading expense ratio[3]

Net Asset Value per unit[5]

Closing market price

(1) The management expense ratio 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.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

Management Report of Fund Performance

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

Six months ended June 30, 2012	Periods Ended December 31 2011	2010[(4)]
$ 12.40	$ 11.23	$ 11.25[(5)]
0.25	0.55	0.01
(0.14)	(0.26)	(0.01)
0.58	0.20	–
(0.82)	1.52	(0.01)
(0.13)	2.01	(0.01)
(0.24)	(0.06)	–
(0.16)	–	–
(0.03)	(0.78)	–
(0.43)	(0.84)	**–**
$ 11.86	$ 12.40	$ 11.23

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.

(4) For the period from inception on December 17, 2010 to December 31, 2010.

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

Six months ended June 30, 2012	Periods Ended December 31 2011	2010[(6)]
$ 50.83	$ 62.83	$ 55.04
4,281,300	5,060,000	4,900,000
2.06%[(4)]	1.96%	2.46%[(4)]
69.77	168.08%	0.31%
0.27%[(4)]	0.32%	0.30%[(4)]
$ 11.87	$ 12.42	$ 11.23
$ 11.43	$ 12.00	$ 11.94

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

(4) Annualized.

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

(6) For the period from inception on December 17, 2010 to December 31, 2010.

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

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

Past Performance

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

(1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in units of the Fund,

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

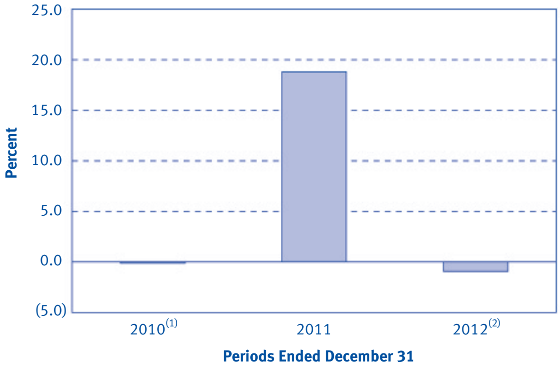
(3) the past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied for the period since inception, for the year ended December 31, 2011 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 2010 would have increased or decreased by the end of the fiscal year or June 30, 2012 for the six months ended.

Management Report of Fund Performance

Total Return



(1) For the period from December 17, 2010, the inception of the Fund, to December 31, 2010.

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

Portfolio Manager Report

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

The total return for the S&P/TSX Capped Utilities Index for the period was 0.6 percent, while the total return for the S&P/TSX Capped Telecommunication Services Index was 1.9 percent. Both sectors outperformed the broader market as the S&P/TSX Composite Index had a negative return of 1.5 percent for the period. The equal-weighted total return of the issuers that make up the portfolio universe during the period was 0.2 percent. Many of the stocks within the portfolio universe posted strong returns for the six month period led by Provident Energy Ltd. which increased 27.6 percent on its takeover by Pembina Pipeline Corporation which closed in April 2012. Manitoba Telecom Services Inc. was the second best performer on takeover speculation that Bill C-38 would be passed by the Federal Government allowing foreign investors or corporations to acquire Canadian telecommunication companies with less than 10 percent revenue share. Bill C-38 was passed by the Federal Government on July 1, 2012. At the other end of the spectrum, Veresen Inc. was the laggard down 18.2 percent during the period due to weak Natural Gas Liquid ("NGL") margins from excess inventories.

The total return of the Fund, including reinvestment of distributions, for the six month period ended June 30, 2012 was negative 0.9 percent. The relative underperformance during the period was due to having an overweight position in the NGL exposed companies such as AltaGas Ltd., Pembina Pipeline Corporation and Keyera Corp. which weakened on declining NGL margins as oil prices contracted considerably relative to natural gas prices in the second quarter. Due to the low level of volatility in the Canadian Utilities and Telecommunication Services companies for the majority of the period, the Strathbridge Selective Overwriting ("SSO") activity was limited to select holdings as the lower volatility did not compensate the Fund enough to justify this activity. During the first half of 2012, the net realized gain on options attributable to the SSO strategy was $0.01 per unit. The Fund ended June 30, 2012 with approximately 16 percent of the portfolio subject to covered calls.

Stocks within the Canadian Utilities and Telecommunication Services universe are characterized by their predictable cash flows. They are generally regarded as defensive investments and they have high and growing dividends. A few notable examples of companies within the portfolio that announced dividend increases during the period are: Canadian Utilities Ltd. which increased its dividend by 9.9 percent on January 13, 2012; TELUS Corporation which increased its dividend by 5.1 percent on February 21, 2012; and TransCanada Corp. which increased its dividend by 4.7 percent on February 14, 2012. The Fund maintained its invested position during the majority of the period and ended with a cash position of 5 percent compared to 3 percent at the end of 2011.

The Manager remains positive on both the Utilities and Telecommunication Services sectors due to their ability to generate strong free cash flows supported by the long-term fixed price contracts they have with their customers as well as their track record of paying high and growing dividends over time. In the context of the current low interest rate environment, the valuation of companies in the portfolio remain at moderately attractive levels when measured by price to earnings ratios and current dividend yields and this should continue to act as major share support for the share prices.

Summary of Investment Portfolio

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

Asset Mix

June 30, 2012

	% of Net Asset Value
Utilities	75 %
Telecommunication Services	24 %
Cash	5 %
Other Assets (Liabilities)	(4)%
	100 %

Portfolio Holdings

June 30, 2012

	% of Net Asset Value
TELUS Corporation	8 %
Enbridge Inc.	8 %
BCE Inc.	7 %
Gibson Energy Inc.	6 %
Inter Pipeline Fund L.P.	6 %
Keyera Corp.	6 %
TransCanada Corp.	6 %
Emera Inc.	5 %
Canadian Utilities Ltd.	5 %
Capital Power Corporation	5 %
Fortis Inc.	5 %
Northland Power Inc.	5 %
Cash	5 %
Manitoba Telecom Services Inc.	5 %
Verizon Communications Inc.	4 %
NextEra Energy, Inc.	3 %
Edison International	3 %
CenterPoint Energy, Inc.	3 %
Consolidated Edison Inc.	3 %
Pinnacle West Capital Corporation	2 %
Integrys Energy Group Inc.	2 %
AltaGas Ltd.	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 Canadian Utilities & Telecom Income Fund (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Advisors (the "Board").

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

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

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

John P. Mulvihill	John D. Germain
Director	Director
Strathbridge Asset Management Inc.	Strathbridge Asset Management Inc.

August 7, 2012

Notice to Unitholders

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

Financial Statements

Statements of Net Assets

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

	2012	2011
ASSETS		
Investments at fair value (cost - $46,458,285; 2011 - $52,995,623)	**$ 49,930,414**	$ 60,602,252
Short-term investments at fair value (cost - nil; 2011 - $1,546,691)	**–**	1,546,691
Cash	**2,469,395**	489,808
Accrued interest	**–**	510
Dividends receivable	**332,474**	338,218
Due from brokers - investments	**8,941,153**	–
TOTAL ASSETS	**61,673,436**	62,977,479
LIABILITIES		
Redemptions payable	**9,247,608**	–
Due to brokers - investments	**1,516,953**	–
Accrued liabilities	**82,005**	88,333
Accrued management fees	**52,102**	55,539
Issue expenses payable	**–**	78,959
TOTAL LIABILITIES	**10,898,668**	222,831
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 50,774,768**	$ 62,754,648
Number of Units Outstanding	**4,281,300**	5,060,000
Net Assets per Unit (Note 3)	**$ 11.8597**	$ 12.4021

Statements of Financial Operations

Six months ended June 30 (Unaudited)

	2012	2011
REVENUE		
Dividends	$ 1,265,075	$ 1,409,334
Interest and other income	2,586	89,880
Withholding taxes	(11,567)	(21,934)
TOTAL REVENUE	1,256,094	1,477,280
EXPENSES		
Management fees	336,937	314,777
Service fees	122,005	113,053
Administrative and other expenses	66,436	45,751
Transaction fees (Note 4)	83,650	128,734
Custodian fees	27,180	27,326
Audit fees	13,338	13,297
Advisory board fees	10,445	11,390
Independent review committee fees	4,041	3,851
Legal fees	2,734	–
Unitholder reporting costs	9,732	11,874
Harmonized sales tax	36,706	37,015
TOTAL EXPENSES	713,204	707,068
Net Investment Income	542,890	770,212
Net gain (loss) on sale of investments	2,902,446	(1,010,571)
Net gain on sale of derivatives	38,787	155,180
Net Gain (Loss) on Sale of Investments	2,941,233	(855,391)
Net change in unrealized appreciation/ depreciation of investments	(4,134,734)	3,981,190
Net Gain (Loss) on Investments	(1,193,501)	3,125,799
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ (650,611)	$ 3,896,011
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 5,055,698; 2011 - 5,054,696)	$ (0.1287)	$ 0.7708

Financial Statements

Statements of Changes in Net Assets
Six months ended June 30 (Unaudited)

	2012	2011
NET ASSETS, BEGINNING OF PERIOD	**$ 62,754,648**	$ 55,030,943
Net Increase (Decrease) in Net Assets from Operations	**(650,611)**	3,896,011
Unit Transactions		
Proceeds from units issued, net of issue costs	**–**	1,819,200
Recovery of issue costs	**78,959**	–
Amount paid for units redeemed	**(9,247,608)**	–
	(9,168,649)	1,819,200
Distributions to Unitholders		
From net investment income	**(1,199,720)**	(147,254)
From net realized gain on investments	**(829,176)**	–
Non-taxable distributions	**(131,724)**	(2,033,859)
	(2,160,620)	(2,181,113)
Changes in Net Assets during the Period	**(11,979,880)**	3,534,098
NET ASSETS, END OF PERIOD	**$ 50,774,768**	$ 58,565,041

Statements of Net Gain (Loss) on Sale of Investments
Six months ended June 30 (Unaudited)

	2012	2011
Proceeds from Sale of Investments	**$ 51,400,208**	$ 56,704,475
Cost of Investments Sold		
Cost of investments, beginning of period	**52,995,623**	13,623,781
Cost of investments purchased	**41,921,637**	96,443,208
	94,917,260	110,066,989
Cost of Investments, End of Period	**(46,458,285)**	(52,507,123)
	48,458,975	57,559,866
NET GAIN (LOSS) ON SALE OF INVESTMENTS	**$ 2,941,233**	$ (855,391)

Statement of Investments

As at June 30, 2012 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Telecommunication Services				
BCE Inc.	82,000	$ 3,293,372	$ 3,439,900	
Manitoba Telecom Services Inc.	70,000	2,303,887	2,321,200	
TELUS Corporation	70,500	3,590,445	4,303,320	
Total Telecommunication Services		9,187,704	10,064,420	19.8%
Utilities				
AltaGas Ltd.	27,400	689,295	792,134	
Canadian Utilities Ltd.	42,000	2,468,118	2,782,920	
Capital Power Corporation	111,000	2,686,497	2,639,580	
Emera Inc.	83,700	2,789,196	2,808,972	
Enbridge Inc.	102,000	3,395,520	4,139,160	
Fortis Inc.	81,000	2,684,936	2,613,060	
Gibson Energy Inc.	152,000	2,987,753	3,128,160	
Inter Pipeline Fund L.P.	147,000	2,207,537	2,822,400	
Keyera Corp.	66,500	2,557,682	2,806,300	
Northland Power Inc.	144,000	2,478,327	2,568,960	
TransCanada Corp.	66.000	2,789,022	2,813,580	
Total Utilities		27,733,883	29,915,226	58.9%
Total Canadian Common Shares		$ 36,921,587	$ 39,979,646	78.7%
United States Common Shares				
Telecommunication Services				
Verizon Communications Inc.	42,600	$ 1,829,409	$ 1,929,533	3.8%
Utilities				
CenterPoint Energy, Inc.	69,000	1,383,694	1,453,268	
Consolidated Edison Inc.	20,700	1,310,529	1,311,740	
Edison International	31,300	1,367,125	1,473,549	
Integrys Energy Group Inc.	18,700	1,047,149	1,083,392	
NextEra Energy, Inc.	22,400	1,504,564	1,571,097	
Pinnacle West Capital Corporation	24,000	1,230,651	1,264,935	
Total Utilities		7,843,712	8,157,981	16.1%
Total United States Common Shares		$ 9,673,121	$ 10,087,514	19.9%
Forward Exchange Contracts				
Sold USD $1,500,000, Bought CAD $1,547,250 @ 0.96946 - July 18, 2012			$ 17,403	
Sold USD $600,000, Bought CAD $599,670 @ 1.00055 - July 18, 2012			(12,250)	
Sold USD $485,000, Bought CAD $480,945 @ 1.00843 - August 15, 2012			(13,991)	
Sold USD $1,265,000, Bought CAD $1,299,104 @ 0.97375 - August 15, 2012			8,094	
Sold USD $1,175,000, Bought CAD $1,207,171 @ 0.97335 - September 12, 2012			7,249	
Sold USD $1,700,000, Bought CAD $1,752,513 @ 0.97004 - September 12, 2012			16,436	
Sold USD $575,000, Bought CAD $581,285 @ 0.98919 - September 12, 2012			(5,880)	
Sold USD $2,700,000, Bought CAD $2,782,404 @ 0.97038 - October 17, 2012			23,023	
Sold USD $1,700,000, Bought CAD $1,750,184 @ 0.97133 - October 17, 2012			12,804	
Total Forward Exchange Contracts			$ 52,888	0.1%

Financial Statements

Statement of Investments

As at June 30, 2012 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets
Written Covered Call Options				
(100 shares per contract)				
Canadian Utilities Ltd.				
- July 2012 @ $66	(160)	(15,440)	(20,800)	
Emera Inc.				
- July 2012 @ $33	(420)	(15,540)	(32,867)	
Fortis Inc.				
- July 2012 @ $33	(405)	(12,555)	(10,900)	
Inter Pipeline Fund L.P.				
- July 2012 @ $19	(735)	(22,050)	(72,067)	
Manitoba Telecom Services Inc.				
- July 2012 @ $33	(410)	(23,165)	(21,251)	
TransCanada Corp.				
- August 2012 @ $42	(330)	(14,850)	(31,749)	
Total Written Covered Call Options		(103,600)	(189,634)	(0.4)%
Total Options		$ (103,600)	$ (189,634)	(0.4)%
Adjustment for transaction costs		(32,823)		
TOTAL INVESTMENTS		$ 46,458,285	$ 49,930,414	98.3 %
OTHER NET ASSETS			844,354	1.7 %
TOTAL NET ASSETS			$ 50,774,768	100.0 %

1. Basis of Presentation

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

2. Normal Course Issuer Bid

On January 19, 2012, the Fund filed a Notice of Intention to make a normal course issuer bid to purchase up to 505,900 units representing approximately 10 percent of the Fund’s public float of 5,059,000 units as of January 10, 2012. The Fund may purchase up to 101,200 units in any 30-day period which is 2 percent of the 5,060,000 units issued and outstanding as at January 10, 2012. The units may be purchased for cancellation from January 23, 2012 to January 22, 2013 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2012, nil units had been purchased by the Fund.

3. Net Asset Value

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

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

	June 30, 2012	Dec. 31, 2011
Net Asset Value (for pricing purposes)	**$ 11.8736**	$ 12.4167
Difference	**(0.0139)**	(0.0146)
Net Assets (for financial statement purposes)	**$ 11.8597**	$ 12.4021

Notes to Financial Statements

June 30, 2012

4. Transaction Fees

Total transaction fees for the six month period ended June 30, 2012 in connection with portfolio transactions were $83,650 (June 30, 2011 - $128,734). Of this amount $41,847 (June 30, 2011 - $38,277) was directed to cover payment of research services provided to the Investment Manager.

5. Financial Instruments and Risk Management

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	$ 39,979,646	$ –	$ –	$ 39,979,646
United States Common Shares	10,087,514	–	–	10,087,514
Forward Exchange Contracts	–	52,888	–	52,888
Options	(20,800)	(168,834)	–	(189,634)
Total Investments	$ 50,046,360	$ (115,946)	$ –	$ 49,930,414

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	$ –	$ 1,547,201	$ –	$ 1,547,201
Canadian Common Shares	60,015,725	–	–	60,015,725
United States Common Shares	596,179	–	–	596,179
Forward Exchange Contracts	–	(4,497)	–	(4,497)
Options	(5,155)	–	–	(5,155)
Total Investments	$ 60,606,749	$ 1,542,704	$ –	$ 62,149,453

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 99 percent (December 31, 2011 - 97 percent) of the Fund's net assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2012, the net assets of the Fund would have increased or decreased by approximately \$5.0M (December 31, 2011 - \$6.1M) respectively or 9.9 percent (December 31, 2011 - 9.7 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Currency Risk

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 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.

Approximately 24 percent (December 31, 2011 - 2 percent) of the Fund's net assets held at June 30, 2012 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At June 30, 2012 and December 31, 2011, the Fund had no currency risk as a result of its investment in forward currency contracts.

Credit Risk

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

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

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

Notes to Financial Statements

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
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A+	A-1

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

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

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

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

6. 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.

7. Comparative Figures

Distributions for the six month period ended June 30, 2011 of $147,254 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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