ANNUAL REPORT 2011

Top 10 Split Trust

strathbridge
ASSET MANAGEMENT

Letter to Securityholders

We are pleased to present the 2011 annual report containing the management report of fund performance and the audited financial statements for Top 10 Split Trust.

During the year ended December 31, 2011, the Fund paid distributions of $0.23 per Capital Unit and $0.78 per Preferred Security. The annual total return per Combined Unit, including reinvestment of distributions, was negative 11.4 percent. The net asset value per Combined Unit decreased from $16.60 per Unit as at December 31, 2010 to $13.79 per Unit as at December 31, 2011, primarily reflecting a decline in the market value of the shares of the four life insurance companies held within the portfolio due to weak equity markets and continued low interest rates. However, the decline in the net asset value during the year was mitigated by the Strathbridge Selective Overwriting strategy (see "The Fund") which generated net realized gain on options of $0.40 per Combined Unit. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

On March 21, 2011, holders of Capital Units and Preferred Securities approved a proposal to extend the term of the Fund for five years beyond the scheduled termination date of March 31, 2011, and for automatic successive five-year terms after March 31, 2016. As part of the extension of the Fund, the Fund also made other changes which are outlined in the Recent Developments section. As a consequence of a greater number of Capital Units being redeemed under the special redemption right, the Fund announced a partial redemption for 457,103 Preferred Securities on a pro rata basis from all holders of record on March 31, 2011 in order to maintain an equal number of Preferred Securities and Capital Units of the Fund outstanding.

We thank all securityholders for their continued support and encourage securityholders 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 split share trust designed to provide Capital Unit holders with the benefit of any capital appreciation in the value of the portfolio combined with tax-efficient quarterly distributions and to provide holders of the Preferred Securities with fixed cumulative preferential quarterly distributions. These securities are listed on the Toronto Stock Exchange under the ticker symbols TXT.UN for the Capital Units and TXT.PR.A for the Preferred Securities. A Combined Unit of the Fund consists of one Capital Unit and one Preferred Security. To accomplish its objectives, the Fund invests exclusively in shares of the six largest Canadian banks and four largest Canadian life insurance companies generally investing not less than 5 percent and not more than 15 percent of the Fund's assets in each company.

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 continuously writing 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.

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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, 2011 of Top 10 Split Trust (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 or 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 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 for Capital Units are to:

(1) provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio, and;

(2) pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5 percent per annum of the net asset value (the ‘‘NAV’’) of the Capital Units

and the Fund’s investment objectives for Preferred Securities are to:

(1) pay holders of Preferred Securities fixed quarterly cash interest payments equal to 6.25 percent per annum on the $12.50 principal amount of a Preferred Security, and;

(2) repay the principal amount of $12.50 per Preferred Security on the termination date of the Fund on March 31, 2016.

The Fund invests in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization.

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.

From time to time, the Fund may hold a portion of its assets in cash and short-term investments.

Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2011 annual information form, which is available on the Fund’s website at www.strathbridge.com or on SEDAR at www.sedar.com. A change in 2011 that materially affects the risks associated with an investment in the securities of the Fund is set out below.

Greater Volatility of the Capital Units

The Fund does not employ financial leverage, however Capital Units are considered to be leveraged investments by virtue of the Preferred Securities which rank ahead of the Capital Units for payment of distributions and proceeds on termination up to the Preferred Security principal amount of $12.50 per security. During the year, negative changes in the value of the total portfolio had a greater effect on the value of the Capital Units than of the Preferred Securities compared to the prior years. As the value of the portfolio decreased, the leverage in the Capital Units increased.

Results of Operations

Distributions

For the year ended December 31, 2011, cash distributions of $0.23 per Capital Unit were paid compared to $0.28 per Capital Unit in 2010. Interest payments of $0.78 per Preferred Security remained unchanged from the prior year.

Since the reorganization of the Fund in November 2005 when the Fund adopted new objectives and a new investment strategy as the Top 10 Split Trust, the Fund has paid interest of $4.74 per Preferred Security and cash distributions of $3.57 per Capital Unit.

Revenue and Expenses

For the year ended December 31, 2011, total revenue was $0.61 per Unit, unchanged from the previous year. Total expenses for 2011 were $0.42 per Unit compared to $0.31 per Unit in 2010. This increase was mainly due to one-time costs associated with the special resolution regarding the term extension of the Fund. The Fund had a net realized and unrealized loss of $1.25 per Unit in 2011 as compared to a net realized and unrealized gain of $0.47 per Unit a year ago.

Net Asset Value

The net asset value per Unit of the Fund declined 16.9 percent from $16.60 per Unit at December 31, 2010 to $13.79 per Unit at December 31, 2011, primarily as a result of a decline in the market value of the shares of the four life insurance companies held within the portfolio due to weak equity markets and continued low interest rates. The aggregate net asset value of the Fund decreased $16.7 million, from $38.3 million at December 31, 2010 to $21.6 million at December 31, 2011, primarily attributable to the special redemptions in March totalling $13.0 million.

During the year ended December 31, 2011, the annual total return of the Fund was negative 11.4 percent reflecting a decline in value of the securities in the portfolio. The S&P/TSX Capped Financials Index (the “Financials Index”) total return during the same period was negative 3.8 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 a market index may not be appropriate. The Financials Index is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Recent Developments

On March 21, 2011, holders of Capital Units and Preferred Securities approved a proposal to extend the term of the Fund for five years beyond the scheduled termination date of March 31, 2011, and for automatic five-year terms after March 31, 2016. As part of the extension of the Fund, the Fund also made other changes, including: (i) changing the monthly retraction prices for the Capital Units and Preferred Securities such that monthly retraction prices are calculated by reference to market price in addition to net asset value, and changing the notice period as well as payment period for the exercise of such rights and the payment of the retraction amount; and (ii) consolidating the Capital Units or redeeming the Preferred Securities on a pro rata basis, as the case may be, in order to maintain the same number of Capital Units and Preferred Securities outstanding.

On March 23, 2011, the Fund announced a partial redemption for 457,103 Preferred Securities on a pro rata basis from all holders of record on March 31, 2011 in order to maintain an equal number of Preferred Securities and Capital Units of the Fund outstanding. Each Preferred Security was redeemed at a price equal to $12.50, being the principal amount per Preferred Security, plus all accrued and unpaid interest thereon.

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”) reflecting a revitalized focus and commitment to the closed-end fund business.

Future Accounting Policy Changes

The Manager 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 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2014.

As at December 31, 2011, 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,
- 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 MCM dated February 22, 1997 and amended as of November 30, 2005.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated February 22, 1997 and amended as of November 30, 2005. 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.

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 independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

In February 2011, the Manager presented the terms of the Special Resolution to extend the Fund beyond its scheduled termination date of March 31, 2011, and for automatic successive five-year terms after March 31, 2016 to the IRC for a recommendation. As part of the proposal to extend the term of the Fund, the Fund also made other changes including: (i) providing a special redemption right to enable holders of Capital Units and Preferred Securities to retract their securities on March 31, 2011 on the same terms that would have applied had the Fund redeemed or repaid all Capital Units and Preferred Securities in accordance with the existing terms of such securities; and (ii) changing the monthly retraction prices for the Capital Units and the Preferred Securities so that they are calculated by reference to market price in addition to net asset value and changing the notice period as well as payment period for the exercise of such rights and the payment of the retraction amount. The IRC reviewed the Special Resolution and recommended that the Special Resolution be put to securityholders for their consideration on the basis that the proposed extension of the Fund would achieve a fair and reasonable result for the Fund. On March 21, 2011, securityholders of the Fund approved the proposal to extend the term of the Fund.

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 for the past five years. 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.

Years ended December 31

	2011	2010	2009	2008	2007
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year (based on bid prices)[1]	**$ 16.57**	$ 16.86	$ 14.78	$ 21.79	$ 24.17[4]
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.61**	0.61	0.61	0.70	0.74
Total expenses	**(0.42)**	(0.31)	(0.29)	(0.32)	(0.41)
Realized gain (loss) for the period	**0.58**	(0.42)	(2.50)	(1.31)	1.09
Unrealized gain (loss) for the period	**(1.83)**	0.89	5.26	(4.81)	(2.19)
Total Increase (Decrease) from Operations[2]	**(1.06)**	0.77	3.08	(5.74)	(0.77)
DISTRIBUTIONS					
From net investment income - Preferred Security	**(0.78)**	(0.78)	(0.78)	(0.78)	(0.78)
Non-taxable distributions - Capital Unit	**(0.23)**	(0.28)	(0.22)	(0.48)	(0.83)
Total Annual Distributions[3]	**(1.01)**	(1.06)	(1.00)	(1.26)	(1.61)
Net Assets, as at December 31 (based on bid prices)[1]	**$ 13.77**	$ 16.57	$ 16.86	$ 14.78	$ 21.79

(1) Net assets per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Preferred Security liability, on that date and including the valuation of securities at bid prices divided by the number of Units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses and is calculated based on the weighted average number of Units outstanding during the year. 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 year.
(3) Distributions to securityholders are based on the number of securities outstanding on the record date for each distribution and were paid in cash.
(4) Net assets per Unit has been adjusted for the change in accounting policy relating to the calculation of net asset value based on bid prices versus closing prices prior to 2007.

Years ended December 31

	2011	2010	2009	2008	2007
RATIOS/SUPPLEMENTAL DATA					
Net Asset Value, excluding the Preferred Security liability ($millions)[1]	**$ 21.61**	$ 38.34	$ 45.65	$ 43.89	$ 69.49
Net Asset Value ($millions)[1]	**$ 2.02**	$ 9.47	$ 11.86	$ 6.86	$ 29.69
Number of Units outstanding[1]	**1,567,325**	2,309,243	2,702,752	2,962,925	3,184,078
Management expense ratio[2]	**2.49%**	1.73%	1.71%	1.64%	1.65%
Portfolio turnover rate[3]	**111.16%**	119.38%	66.25%	21.20%	75.88%
Trading expense ratio[4]	**0.13%**	0.14%	0.14%	0.06%	0.07%
Net Asset Value per Combined Unit[5]	**$ 13.79**	$ 16.60	$ 16.89	$ 14.81	$ 21.83
Closing market price - Capital Unit	**$ 1.89**	$ 3.57	$ 3.70	$ 2.00	$ 8.00
Closing market price - Preferred Security	**$ 12.40**	$ 12.59	$ 12.65	$ 11.50	$ 12.99

(1) This information is provided as at December 31.
(2) The management expense ratio ("MER") is the sum of all fees and expenses, including federal and provincial sales taxes but excluding transaction fees, charged to the Fund divided by the average net asset value. The MER for 2011 includes the special resolution expense. The MER for 2011 excluding the special resolution expense is 1.99%. The MER, including the Preferred Security interest, is 7.33%, 6.49%, 6.74%, 5.79%, and 4.98% for 2011, 2010, 2009, 2008 and 2007 respectively.
(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 year.
(5) Net asset value per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Preferred Security liability and, including the valuation of securities at closing prices divided by the number of Units then outstanding.

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.

Mulvihill Fund Services Inc. (the predecessor Manager or "Mulvihill") amalgamated with Mulvihill Capital Management Inc. (the predecessor Investment Manager or "MCM") on September 1, 2010. As successor, MCM became the Manager as well as the Investment Manager of the Fund. On October 3, 2011, MCM announced a name change to Strathbridge Asset Management Inc. ("Strathbridge").

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 and interest payments made by the Fund during these periods shown were reinvested in securities of the Fund,

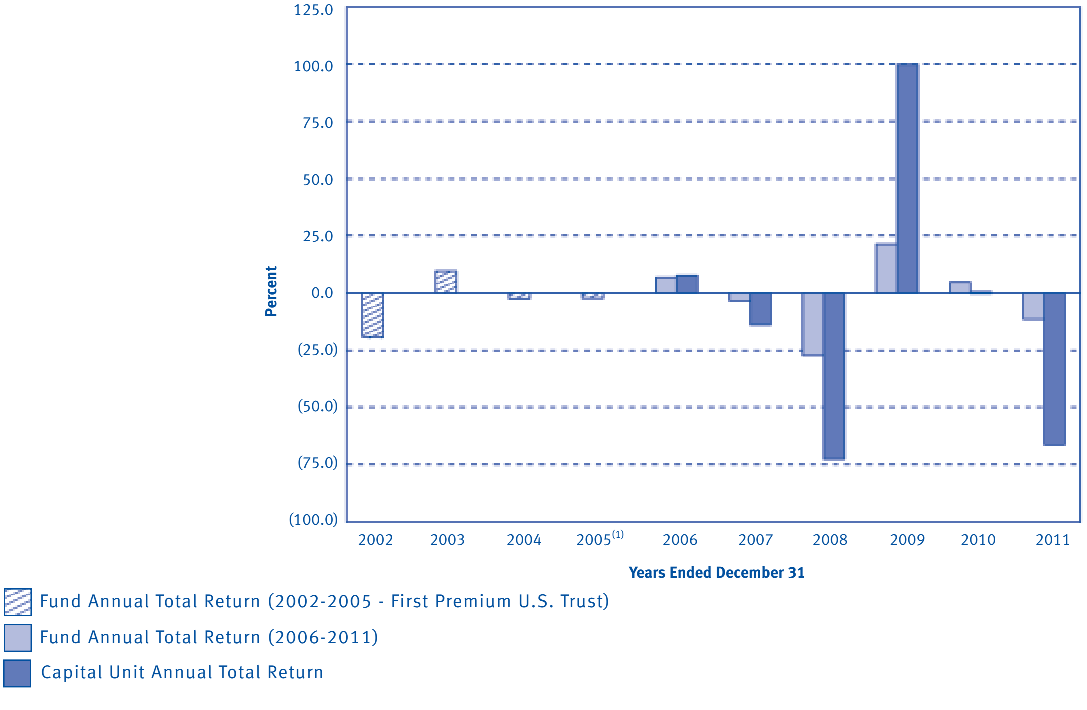
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and;

(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 ten years. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of the fiscal year.

Annual Total Return



(1) Until November 30, 2005, the Fund invested in a diversified portfolio consisting primarily of common shares issued by corporations that rank in the top 50 of the S&P 100 Index on the basis of market capitalization. Since November 30, 2005, the Fund universe was changed to invest in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization. The Fund was invested in cash and cash equivalents pending completion of an offering of additional securities that closed February 15, 2006.

Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the periods ended December 31, 2011 as compared to the performance of the S&P 100 Index, S&P/TSX Financials Index and S&P/TSX Capped Financials Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Ten Years
Top 10 Split Trust	**(11.42)%**	4.03 %	(4.57)%	(3.30)%
Top 10 Split Trust - Capital Unit	**(66.33)%**	(12.25)%	(30.84)%	(16.52)%
Top 10 Split Trust - Preferred Security	**6.40 %**	6.40 %	6.40 %	n/a
S&P 100 Index[1]	**n/a**	n/a	n/a	(2.46)%
S&P/TSX Financials Index[2]	**(2.86)%**	16.05 %	(0.46)%	n/a
S&P/TSX Capped Financials Index[3]	**(3.84)%**	15.00 %	(0.64)%	n/a

(1) The S&P 100 Index is a capitalization-weighted index based on 100 highly capitalized stocks for which options are listed.
(2) The S&P/TSX Financials Index is a subset of the constituents of the S&P/TSX Composite Index that have been classified according to the Global Industry Classification Standard.
(3) The S&P/TSX Capped Financials Index is a subset of the constituents of the S&P/TSX Composite Index that have been classified according to the Global Industry Classification Standard. The relative weight of any single index constituent is capped at 25 percent.

The performance of the Fund in the above table from the period of inception to November 21, 2005 was based on the investment objectives and strategy of the Fund as First Premium U.S. Trust investing in a diversified portfolio consisting primarily of common shares issued by corporations that rank in the top 50 of the S&P 100 Index on the basis of market capitalization. On November 21, 2005 unitholders approved a proposal resulting in a change in the investment objectives and strategy of the Fund. Since November 21, 2005 the Fund invests exclusively in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization.

Commencing in 2011, the S&P/TSX Capped Financials Index was added to the performance benchmarks of the Fund. Use of the S&P/TSX Capped Financials Index is deemed to be more appropriate as it excludes Real Estate companies and is therefore more representative of a broad-based index of Canadian Financial companies and more reflective of the portfolio universe of the Fund.

The equity performance benchmarks shown here provide 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 these indices; rather, its objectives are to pay out quarterly dividends and return the original invested amount at the termination date. 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

2011 was a very tumultuous year for stock markets as numerous geopolitical events occurred that provided headwinds to Global economies. With the horrendous tsunami and near major nuclear catastrophe in Japan in March; pro-democracy uprising in the Arab world; Standard & Poor's downgrade of the U.S. Government debt in August; continued concern regarding European sovereign default risk, 2011 was a year in which many external and macroeconomic events affected the markets. The S&P/TSX Composite Total Return Index was down 8.7 percent during 2011, with the banks outperforming and the insurance companies underperforming the broader market during the year. The Canadian economy meanwhile has remained relatively strong with employment and housing conditions much stronger than most developed countries and the government enjoying a much stronger fiscal position. The Bank of Canada remained on hold during the period due to slower than expected growth and a relatively stable Canadian dollar which decreased by 2.3 percent relative to the U.S. dollar.

The Canadian banks reported mixed earnings growth during 2011 on solid retail banking and better than expected loan loss provisions offset by weaker than expected trading revenues. Capital ratios continued to remain strong with Tier 1 ratios up slightly from the previous year. The Canadian banks continued to return capital to shareholders during the period as every bank increased its dividend in 2011, with the exception of the Bank of Montreal. The Canadian life insurance companies reported lower earnings in 2011 as weak and volatile Global equity markets and a considerable decline in 10-year bond yields in both Canada and the U.S. negatively impacted the group. Record low interest rates are likely to remain for the foreseeable future until economic growth is believed to be sustainable. In light of current low interest rates, the valuations of the Canadian banks and life insurance companies remain at attractive levels when measured by price to earnings ratios and current dividend yields and this should continue to act as major support for the share prices. As regulatory requirements become clearer in 2012, some of the Canadian Financial Services companies are likely to return capital to shareholders in the form of increased dividends.

The total return for the S&P/TSX Capped Financials Index for the year was negative 3.8 percent, outperforming the broader S&P/TSX Composite Total Return Index which declined 8.7 percent. The total return of an equal-weighted basket of the ten Financial Services stocks that make up the portfolio was negative 10.8 percent. The Canadian banks once again strongly outperformed the Canadian life insurers during the year up 0.9 percent and down 20.9 percent respectively. Four of the ten Financial Services equities that make up the portfolio experienced positive total returns during the period with the National Bank of Canada posting the strongest return of 9.4 percent. All four Canadian life insurance companies lagged the group during 2011 with Manulife Financial Corporation and Sun Life Financial Inc. down 34.5 percent and 33.6 percent respectively, due to their greater sensitivity to equity market volatility and low interest rates.

The annual total return of the Fund, including reinvestment of distributions, for the year ended December 31, 2011 was negative 11.4 percent. The Fund underperformed the benchmark for the year due to some covered call writing in February when the return of ten Financial Services companies within the portfolio increased by 6.6 percent on average. The Fund maintained its invested position during the majority of the year and ended 2011 with a cash position of 3 percent compared to 22 percent at the end of 2010 that was raised in order to finance the concurrent redemption right offered annually.

Volatility was subdued in the first half of 2011 but picked up considerably in July as the deadline for the U.S. Congress vote on the debt ceiling in early August was approaching and remained elevated after Standard & Poor's downgraded the rating of the U.S. Government debt. With the increase in volatility for the Canadian Financial Services stocks in the second half of the year, the level of covered call writing was increased as the higher level of volatility compensated the Fund sufficiently to justify this activity. The Fund ended 2011 with approximately 11 percent of the portfolio subject to covered calls. The Fund also opportunistically purchased some put protection on the iShares S&P/TSX Capped Financials Index Fund and individual holdings in the May to September period due to concerns of European sovereign default risk increasing as well as the U.S. debt ceiling controversy impacting the Canadian Financials. During 2011, the net realized gain on options attributable to the Strathbridge Selective Overwriting ("SSO") strategy was $0.40 per Combined Unit.

The Canadian banks and life insurance companies are expected to improve profitability and capital ratios in 2012 due to improving credit, good expense control and leverage to an economic recovery. Consequently, Canadian banks are expected to resume dividend growth, share buybacks and pursue acquisitions before life insurance companies. Hence, the Fund has a greater weighting towards the banks in the portfolio.

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, 2011

	% OF NET ASSET VALUE*
Financials	97%
Cash and Short-Term Investments	3%
	100%

*The Net Asset Value excludes the Preferred Security liability.

Portfolio Holdings

December 31, 2011

	% OF NET ASSET VALUE*
Royal Bank of Canada	12%
National Bank of Canada	11%
The Toronto-Dominion Bank	11%
Canadian Imperial Bank of Commerce	11%
The Bank of Nova Scotia	10%
Bank of Montreal	10%
Great-West Lifeco Inc.	9%
Industrial Alliance Insurance and Financial Services Inc.	8%
Manulife Financial Corporation	8%
Sun Life Financial Inc.	7%
Cash and Short-Term Investments	3%

*The Net Asset Value excludes the Preferred Security liability.

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of Top 10 Split Trust (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 5 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 & Touche LLP, the Fund's independent auditor, has full and unrestricted access to the Board.

John P. Mulvihill
Director
Strathbridge Asset Management Inc.
February 27, 2012

John D. Germain
Director
Strathbridge Asset Management Inc.

To the Unitholders of Top 10 Split Trust

We have audited the accompanying financial statements of Top 10 Split Trust, which comprise the statement of investments as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010, and the statements of financial operations, changes in net assets and cash flows for the 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 Top 10 Split Trust as at December 31, 2011 and 2010, and the result of its operations, its changes in the net assets, and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 27, 2012
Toronto, Ontario

Statements of Net Assets

As at December 31

	2011	2010
ASSETS		
Investments at fair value (cost - $24,818,897; 2010 - $37,565,566)	**$ 20,910,837**	$ 36,917,056
Short-term investments at fair value (cost - $498,620; 2010 - $8,271,063)	**498,620**	8,271,063
Cash	**163,140**	34,497
Accrued interest	**495**	1,338
Dividends receivable	**75,613**	109,445
Due from brokers - investments	**–**	661,594
TOTAL ASSETS	**21,648,705**	45,994,993
LIABILITIES		
Preferred Securities (Note 7)	**19,591,563**	28,865,537
Accrued liabilities	**52,745**	96,537
Redemptions payable	**8,108**	6,532,998
Due to brokers - investments	**–**	1,092,460
TOTAL LIABILITIES	**19,652,416**	36,587,532
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 1,996,289**	$ 9,407,461
Number of Units Outstanding (Note 7)	**1,567,325**	2,309,243
Net Assets per Capital Unit	**$ 1.2737**	$ 4.0738
Preferred Security Repayment Price (Note 7)	**$ 12.5000**	$ 12.5000
Combined Value (Note 6)	**$ 13.7737**	$ 16.5738

On Behalf of the Manager,
Strathbridge Asset Management Inc.

John P. Mulvihill, Director

John D. Germain, Director

Statements of Financial Operations

Years ended December 31

	2011	2010
REVENUE		
Dividends	**$ 1,073,617**	$ 1,637,666
Interest	**12,894**	14,136
TOTAL REVENUE	**1,086,511**	1,651,802
EXPENSES (Note 8)		
Management fees	**308,138**	488,868
Administrative and other expenses	**65,047**	77,009
Transaction fees (Note 11)	**37,595**	63,819
Service fees	**22,397**	42,101
Custodian fees	**32,740**	31,999
Audit fees	**29,960**	30,559
Advisory board fees	**19,631**	19,631
Independent review committee fees	**7,787**	6,602
Legal fees	**2,036**	4,474
Unitholder reporting costs	**25,425**	21,711
Federal and provincial sales taxes	**50,121**	46,454
Subtotal Expenses	**600,877**	833,227
Special resolution expense (Note 2)	**142,719**	–
TOTAL EXPENSES	**743,596**	833,227
Net Investment Income	**342,915**	818,575
Net gain (loss) on sale of investments	**319,568**	(1,138,072)
Net gain on sale of derivatives	**708,245**	9,025
Net change in unrealized appreciation/depreciation of investments	**(3,259,550)**	2,410,697
Net Gain (Loss) on Investments	**(2,231,737)**	1,281,650
Preferred Security Interest (Note 9)	**(1,369,706)**	(2,111,498)
NET DECREASE IN NET ASSETS FROM OPERATIONS	**$ (3,258,528)**	$ (11,273)
NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of Units outstanding during the year of 1,776,537; 2010 - 2,701,674)	**$ (1.8342)**	$ (0.0042)

The notes are an integral part of the Financial Statements.

Statements of Changes in Net Assets

Years ended December 31

	2011	2010
NET ASSETS, BEGINNING OF YEAR	**$ 9,407,461**	$ 11,787,477
Net Decrease in Net Assets from Financial Operations	**(3,258,528)**	(11,273)
Capital Unit Transactions (Note 7)		
Value for Capital Units redeemed, excluding Preferred Securities	**(3,723,865)**	(1,614,135)
Distributions to Capital Unitholders (Note 9)		
Non-taxable distributions	**(428,779)**	(754,608)
Changes in Net Assets during the Year	**(7,411,172)**	(2,380,016)
NET ASSETS, END OF YEAR	**$ 1,996,289**	$ 9,407,461

Statements of Cash Flows

Years ended December 31

	2011	2010
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	**$ 8,305,560**	$ 4,218,757
Cash Flows Provided by (Used In) Operating Activities		
Net Investment Income	**342,915**	818,575
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities		
Purchase of investment securities	**(29,994,289)**	(49,216,086)
Proceeds from disposition of investment securities	**43,768,771**	58,568,367
(Increase)/decrease in dividends receivable, accrued interest and due from brokers - investments	**696,269**	78,199
(Decrease)/increase in accrued liabilities and due to brokers - investments	**(1,136,252)**	1,097,838
	13,334,499	10,528,318
Cash Flows Provided by (Used In) Financing Activities		
Capital Unitholder redemptions	**(5,337,241)**	(1,141,822)
Preferred Security redemptions	**(14,185,488)**	(3,252,162)
Distributions to Capital Unitholders	**(428,779)**	(754,608)
Distributions to Preferred Securities - interest	**(1,369,706)**	(2,111,498)
	(21,321,214)	(7,260,090)
Net Increase/(Decrease) in Cash and Short-Term Investments During the Year	**(7,643,800)**	4,086,803
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**$ 661,760**	$ 8,305,560
Cash and Short-Term Investments comprised of:		
Cash	**$ 163,140**	$ 34,497
Short-Term Investments	**498,620**	8,271,063
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**$ 661,760**	$ 8,305,560

Statement of Investments

As at December 31, 2011

	Par Value/ Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Market Value	% of Net Assets
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
National Bank of Canada, 1.10% - February 29, 2012	500,000	$ 498,620	$ 498,620	
Accrued Interest			495	
TOTAL SHORT-TERM INVESTMENTS		$ 498,620	$ 499,115	2.3 %
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	37,100	$ 2,275,622	$ 2,072,035	
Canadian Imperial Bank of Commerce	30,400	2,379,395	2,242,000	
Great-West Lifeco Inc.	96,800	2,666,697	1,969,880	
Industrial Alliance Insurance and Financial Services Inc.	67,600	2,301,826	1,771,796	
Manulife Financial Corporation	160,500	2,498,905	1,738,215	
National Bank of Canada	33,900	2,437,162	2,445,546	
Royal Bank of Canada	48,700	2,703,635	2,528,991	
Sun Life Financial Inc.	83,900	2,683,786	1,584,032	
The Bank of Nova Scotia	43,900	2,429,803	2,228,803	
The Toronto-Dominion Bank	32,000	2,499,943	2,440,000	
Total Financials		24,876,774	21,021,298	97.4 %
Total Canadian Common Shares		$ 24,876,774	$ 21,021,298	97.4 %
Options				
Purchased Put Options (100 shares per contract)				
Manulife Financial Corporation - January 2012 @ $10	200	$ 10,400	$ 2,653	0.0 %
Written Covered Call Options (100 shares per contract)				
Canadian Imperial Bank of Commerce - January 2012 @ $71	(76)	(9,880)	(21,486)	
Sun Life Financial Inc. - January 2012 @ $19	(140)	(7,000)	(14,755)	
Sun Life Financial Inc. - February 2012 @ $19	(280)	(14,840)	(24,891)	
The Bank of Nova Scotia - January 2012 @ $49	(73)	(8,614)	(15,840)	
The Toronto-Dominion Bank - January 2012 @ $72	(80)	(13,480)	(36,142)	
Total Written Covered Call Options		(53,814)	(113,114)	(0.5)%
Total Options		$ (43,414)	$ (110,461)	(0.5)%
Adjustment for transaction costs		(14,463)		
TOTAL INVESTMENTS		$ 24,818,897	$ 20,910,837	96.9 %
OTHER NET ASSETS			177,900	0.8 %
TOTAL NET ASSETS, excluding the Preferred Security liability			$ 21,587,852	100.0 %

The notes are an integral part of the Financial Statements.

1. Establishment of the Fund

Top 10 Split Trust (the "Fund") was originally established as a split share investment trust under the laws of the Province of Ontario on January 22, 1997 under the name First Premium U.S. Income Trust. The Fund began operations on February 4, 1997.

On September 1, 2010, Mulvihill Capital Management Inc. ("MCM") amalgamated with Mulvihill Fund Services Inc. As successor, MCM became the Manager as well as the Investment Manager of the Fund. On October 3, 2011, MCM announced a name change to Strathbridge Asset Management Inc. ("Strathbridge"). RBC Dexia Investor Services Trust is the Custodian of the assets of the Fund.

2. Reorganization

On March 21, 2011, holders of Capital Units and holders of Preferred Securities approved a proposal to extend the term of the Fund for five years beyond the scheduled termination date of March 31, 2011, and for automatic successive five-year terms after March 31, 2016. As part of the extension of the Fund, the Fund also made other changes including: (i) changing the monthly retraction prices for the Capital Units and Preferred Securities such that monthly retraction prices are calculated by reference to market price in addition to net asset value and changing the notice period as well as payment period for the exercise of such rights and the payment of the retraction amount relating thereto; and (ii) consolidating the Capital Units or redeeming the Preferred Securities on a pro rata basis, as the case may be, in order to maintain the same number of Capital Units and Preferred Securities outstanding.

In 2011, special resolution expenses pertaining to the fund extension amounted to $142,719 of which $60,403 were solicitation fees.

3. Partial Redemption of Preferred Securities

Pursuant to the special retraction right granted to Securityholders in connection with the extension of the Fund, 284,227 Preferred Securities and 741,330 Capital Units were surrendered for retraction. In order to maintain an equal number of Preferred Securities and Capital Units, the Fund redeemed an additional of 457,103 Preferred Securities on a pro rata basis from all holders of record of Preferred Securities on March 31, 2011, representing approximately 20 percent of the issued and outstanding Preferred Securities. Each Preferred Security was redeemed at a price equal to $12.50, being the principal amount per Preferred Security, plus all accrued and unpaid interest thereon.

4. Investment Objectives of the Fund

The Fund's investment objectives for Capital Units are to:

(i) provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio, and;

(ii) pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5 percent per annum of the net asset value (the "NAV") of the Capital Units

and the Fund's investment objectives for Preferred Securities are to:

(i) pay holders of Preferred Securities fixed quarterly cash interest payments equal to 6.25 percent per annum on the $12.50 principal amount of a Preferred Security, and;

(ii) repay the principal amount of $12.50 per Preferred Security on the termination date of the Fund on March 31, 2016.

The Fund invests in the six largest Canadian banks and the four largest Canadian life insurance companies by market capitalization.

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.

From time to time, the Fund may hold a portion of its assets in cash and short-term investments.

5. 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 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 13.

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.

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 gain (loss) on sale of derivatives.

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 net change in unrealized appreciation/depreciation of investments. 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.

6. 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:

	2011	2010
Net Asset Value per Unit (for pricing purposes)	**$ 13.7889**	$16.6019
Difference	**(0.0152)**	(0.0281)
Net Assets per Unit (for financial statement purposes)	**$ 13.7737**	$16.5738

7. Unitholders' Equity

The Preferred Securities are direct unsecured debt obligations issued by the Fund that will mature on March 31, 2016. At such date, the Fund will repay the principal amount of $12.50 per Preferred Security on termination of the Fund. A holder of Preferred Securities may surrender a Preferred Security for repayment together with a Capital Unit under a regular monthly retraction (other than December) or a special annual retraction in December.

The Fund is authorized to issue an unlimited number of transferable, redeemable units of one class representing an equal, undivided beneficial interest in the net assets of the Fund. All Capital Units have equal rights and privileges. Each whole Capital Unit is entitled to one vote at all meetings of holders and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, and any distributions upon the termination of the Fund after payment of debts and liabilities, including, without limitation, the aggregate Repayment Price of the Preferred Securities, and liquidation expenses of the Fund.

Pursuant to the fund reorganization in March 2011, Capital Units surrendered for retraction (either alone or together with a Preferred Security) at least ten business days prior to the last day of a month (a "Valuation Date") will be retracted on such Valuation date and such security holder will receive payment on or before the tenth business day following such Valuation Date. A holder who concurrently redeems a Capital Unit with a Preferred Security (a "Combined Unit") for retraction on a monthly Valuation Date (other than December) will be entitled to receive an amount equal to 95 percent of the lesser of (i) the NAV of a Combined Unit (the "Combined Value") less $0.50 and (ii) the Combined Unit market price. A holder retracting a Capital Unit alone on a monthly Valuation date (other than December) will receive a retraction price per Capital Unit equal to 95 percent of the lesser of (i) the Combined Value less the aggregate cost to purchase a Preferred Security in the market and $0.50; and (ii) the Capital Unit market price. A holder who surrenders a Combined Unit for retraction on a December Valuation Date will receive an amount equal to the Combined Value. A holder retracting a Capital Unit alone on a December Valuation Date will receive an amount equal to the Combined Value minus the price paid by the Fund to purchase one Preferred Security in the market.

Unit transactions during the year are as follows:

	2011	2010
Units outstanding, beginning of year	**2,309,243**	2,702,752
Units redeemed	**(741,918)**	(393,509)
Units outstanding, end of year	**1,567,325**	2,309,243

8. 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 1.00 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 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 to each dealer whose clients hold Capital Units. The service fee will be calculated and paid at the end of each calendar quarter and will be equal to 0.40 percent annually of the net asset value of the Capital Units held by clients of the dealer.

9. Distributions

The Fund will endeavour (i) to make quarterly distributions to holders of Capital Units in an amount targeted to be 7.5 percent per annum on the Fund's net asset value and (ii) to pay holders of Preferred Securities fixed quarterly cash interest payments of 6.25 percent per annum on the $12.50 principal amount of a Preferred Security.

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 to holders of Capital Units of such portion of the remaining net investment income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Income Tax Act (Canada) (the"Act").

The non-taxable distributions received by unitholders reduce the adjusted cost base of the Unit for tax purposes.

10. 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 2011 or 2010.

Accumulated non-capital losses of approximately $13.0M (2010 - $13.0M) and capital losses of approximately $67.9M (2010 - $67.9M) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire as follows:

Expiration Date	**Amount (in $M)**
2014	$3.9
2015	1.2
2026	4.7
2028	1.0
2029	1.4
2030	0.8
Total	$13.0

Issue costs of nil (2010 - $0.1M) remain undeducted for tax purposes at year-end.

11. Transaction Fees

Total transaction fees paid for the year ended December 31, 2011 in connection with portfolio transactions were $37,595 (2010 - $63,819). Of this amount $7,859 (2010 - $20,788) was directed to cover payment of research services provided to the Investment Manager.

12. 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 4, information on the Fund's unitholders' equity is described in Note 7 and Note 9 and the Fund does not have any externally imposed capital requirements.

13. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments, receivables, Preferred Securities, payables and certain derivative contracts. 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, 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	$ –	$ 499,115	$ –	$ 499,115
Canadian Common Shares	21,021,298	–	–	$ 21,021,298
Options	–	(110,461)	–	$ (110,461)
Total Investments	$ 21,021,298	$ 388,654	$ –	$ 21,409,952

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$ 8,272,401	$ –	$ 8,272,401
Canadian Common Shares	36,945,888	–	–	$ 36,945,888
Options	–	(28,832)	–	$ (28,832)
Total Investments	$ 36,945,888	$ 8,243,569	$ –	$ 45,189,457

There were no transfers between Level 1 and Level 2 during 2011 and 2010.

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 other price risk, liquidity risk, interest rate risk and credit risk.

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

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 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 companies in the banks and life insurance industries. 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 97 percent (2010 - 97 percent) of the Fund's net assets, excluding the Preferred Security liability, held at December 31, 2011 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2011, the net assets, excluding the Preferred Security liability, of the Fund would have increased or decreased by $2.1M (2010 - $3.7M) respectively or 9.7 percent (2010 - 9.7 percent) of the net assets, excluding the Preferred Security liability, 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 to maintain liquidity and to meet its obligations when due. Liabilities are payable within one year, except the Preferred Security liability which matures on March 31, 2016 (see Note 7).

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 10 business days following the month end valuation date. Therefore the Fund has a maximum of 20 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.

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 the Fund dealt with during the year based on Standard & Poor's credit ratings as of December 31, 2011:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
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+

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the prior year based on Standard & Poor's credit ratings as of December 31, 2010:

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

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 following are the credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Term Deposit	A-1+	72%
Government of Canada Treasury Bills	AAA	28%
Total		100%

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

14. 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 on a comparative basis for the semi-annual period ending June 30, 2014.

15. Subsequent Event

On January 19, 2012, the Fund filed a Notice of Intention to make a normal course issuer bid to purchase up to 156,732 Capital Units and 156,732 Preferred Securities representing approximately 10 percent of the Fund's public float of 1,567,325 units of each class as of January 10, 2012. The Fund may purchase up to 31,346 units of each class in any 30-day period which is 2 percent of the 1,567,325 units issued and outstanding of each class as at January 10, 2012. The Capital Units and Preferred Securities may be purchased for cancellation from January 23, 2012 to January 22, 2013 through the facilities of the TSX or other eligible alternative market and may only be purchased at a price per unit of each class not exceeding the last net asset value per unit of each class. As at February 27, 2012, nil units had been purchased by the Fund.

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

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M5J 2V1

Transfer Agent:
Computershare Investor Services Inc.
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Toronto, Ontario
M5J 2Y1

Securities Listed:
Toronto Stock Exchange
trading under
TXT.UN/TXT.PR.A

Custodian:
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RBC Centre
155 Wellington Street West, 2nd Floor
Toronto, Ontario
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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
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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