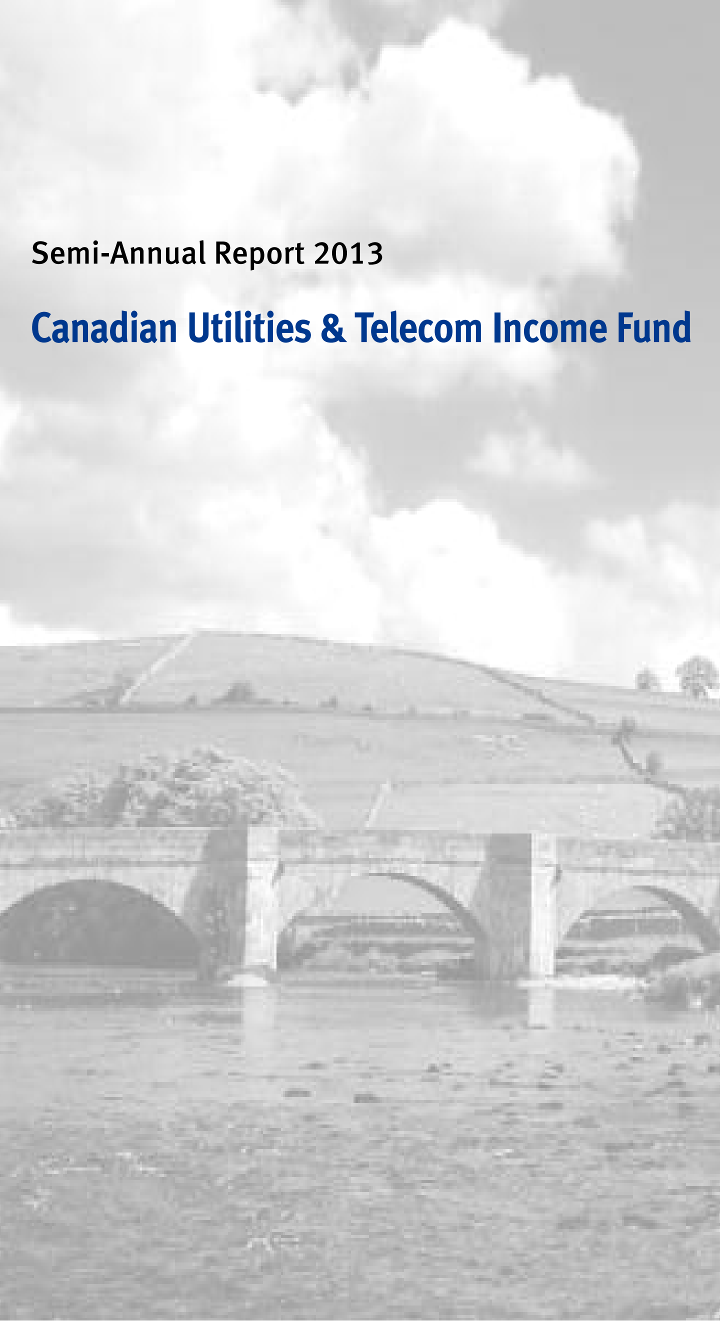
Semi-Annual Report 2013

Canadian Utilities & Telecom Income Fund



strathbridge
ASSET MANAGEMENT

Letter to Unitholders

We are pleased to present the 2013 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, 2013, the Fund paid cash distributions of $0.44 per unit. The net asset value per unit decreased from $12.15 per unit at December 31, 2012 to $11.86 per unit at June 30, 2013. The total return of the Fund, including the reinvestment of distributions, for the six month period ended June 30, 2013 was 1.1 percent. Due to the low levels of volatility in the Canadian Utilities and Telecommunication Services sectors 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. The Fund may, from time to time, selectively write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the 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, 2013 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, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9, or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Results of Operations

Distributions

For the six months ended June 30, 2013, cash distributions of $0.44 per unit were paid to unitholders, compared to $0.43 per unit a year ago.

Since the inception of the Fund in December 2010, the Fund has paid total cash distributions of $2.13 per unit.

Revenue and Expenses

For the six months ended June 30, 2013, the Fund's total revenue was $0.25 per unit, relatively unchanged from the prior year. Total expenses per unit were $0.15 per unit, compared to $0.14 per unit last year. Higher transaction fees and administration costs contributed to the increase over the period. The Fund had a net realized and unrealized gain of $0.06 per unit in the first half of 2013 as compared to a net realized and unrealized loss of $0.24 per unit a year earlier.

Net Asset Value

The net asset value per unit of the Fund decreased 2.4 percent from $12.15 per unit at December 31, 2012 to $11.86 per unit at June 30, 2013. The total net asset value of the Fund declined by $6.6 million, from $52.0 million at December 31, 2012 to $45.4 million at June 30, 2013, reflecting redemptions of $5.4 million and cash distributions of $1.9 million, partially offset by a net increase in net assets from operations of $0.7 million.

Management Report of Fund Performance

Recent Developments

On April 29, 2013, the Fund announced it filed a Notice of Intention to make a normal course issuer bid to purchase up to 427,943 units representing approximately 10 percent of the Fund's public float of 4,279,430 units as at April 25, 2013. The Fund may purchase up to 85,626 units in any 30-day period which is 2 percent of the 4,281,300 units issued and outstanding as at April 25, 2013. The units may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2013, nil units had been purchased by the Fund.

Future Accounting Policy Changes

Strathbridge Asset Management Inc. ("Strathbridge"), as the Manager of the Fund, has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2013 financial statements and the preparation of the 2014 financial statements in accordance with IFRS with comparatives. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the year ending December 31, 2014.

As at June 30, 2013, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles ("Canadian GAAP") where investment fund accounting was based upon guidance in AcG-18,
- Implementation of cash flow statements,
- Presentation of comparative information, and

- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Based on the Manager's current understanding and analysis of IFRS to the accounting policies under Canadian GAAP, the Manager does not anticipate the transition to IFRS will have a material impact on the Fund's net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

Related Party Transactions

Strathbridge, as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated November 26, 2010,.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge 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. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

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

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, 2013 is derived from the Fund's unaudited semi-annual financial statements.

		Six months ended June 30, 2013
NET ASSETS PER UNIT		
Net Assets, beginning of period (based on bid prices)[1]	$	12.13
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		0.25
Total expenses		(0.15)
Realized gain (loss) for the period		0.62
Unrealized gain (loss) for the period		(0.56)
Total Increase (Decrease) from Operations[2]		0.16
DISTRIBUTIONS		
From net investment income		(0.22)
From capital gains		(0.22)
Non-taxable distributions		–
Total Distributions[3]		(0.44)
Net Assets, end of period (based on bid prices)[1]	$	11.85

(1) Net assets per unit is the difference between the aggregate value of the assets including the valuation of securities at bid prices and the aggregate value of the liabilities, divided by the number of units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), 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

		Six months ended June 30, 2013
RATIOS/SUPPLEMENTAL DATA		
Net Asset Value ($millions)	$	45.36
Number of units outstanding		3,823,500
Management expense ratio[1]		2.14%[4]
Portfolio turnover rate[2]		82.78%
Trading expense ratio[3]		0.31%[4]
Net Asset Value per unit[5]	$	11.86
Closing market price	$	11.40

(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.

Periods Ended December 31		
2012	2011	2010[4]
$ 12.40	$ 11.23	$ 11.25[5]
0.48	0.55	0.01
(0.28)	(0.26)	(0.01)
1.00	0.20	–
(0.71)	1.52	(0.01)
0.49	2.01	(0.01)
(0.46)	(0.06)	–
(0.26)	–	–
(0.13)	(0.78)	–
(0.85)	(0.84)	–
$ 12.13	$ 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.

Periods Ended December 31		
2012	2011	2010[6]
$ 52.02	$ 62.83	$ 55.04
4,281,300	5,060,000	4,900,000
2.01%	1.96%	2.46%[4]
169.22%	168.08%	0.31%
0.30%	0.32%	0.30%[4]
$ 12.15	$ 12.42	$ 11.23
$ 11.75	$ 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 including the valuation of securities at closing prices and the aggregate value of the liabilities, divided by the number of units then outstanding.

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

Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 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 the:

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

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

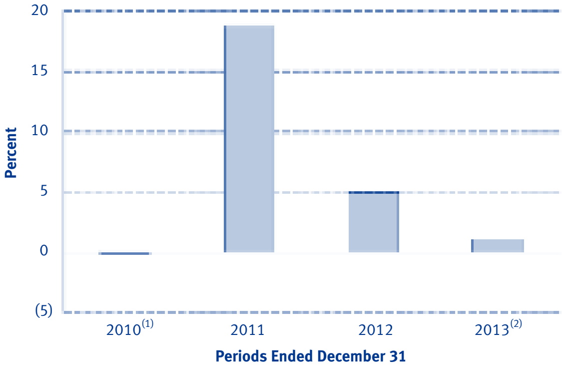
(3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past three years and for the six months ended June 30, 2013. 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, 2013 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, 2013.

Portfolio Manager Report

Most Global equity markets trended higher in the first half of 2013 as economic data out of the United States and other parts of the World continued to improve while Central Banks maintained a bias to keep monetary policy accommodative. Market concerns surrounding the Fiscal Cliff in the U.S. quickly dissipated after a last minute deal was reached at the end of 2012 allowing the market to focus on better economic data and improving company fundamentals for the first half of 2013. The Canadian economy meanwhile posted subdued growth during the period and is expected to lag behind the U.S. economy as the slowdown in China is affecting the pricing of much of Canada's export commodities. Pricing turmoil in the oil and gas industry caused by newly found massive deposits of shale oil and shale gas, and inadequate transportation infrastructure has hurt the western Canadian resource industry. The Canadian housing market continues to slow which on balance is probably good for the economy. The austerity debate in Europe is a continuing concern with respect to renewed economic growth in that region.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2013 was 1.1 percent. The best performing stocks within the portfolio were Keyera Corp. and Pembina Pipeline Corporation which rose 17.1 and 16.0 percent respectively as both companies are well positioned to benefit from growing demand for Canadian energy infrastructure assets and both possess a stable dividend profile. At the other end of the spectrum, Rogers Communications, Inc. was the laggard during the period down 7.1 percent due to reporting fewer wireless subscribers than expected in the first quarter. Shares of Canada's major wireless providers traded lower in June after it was reported that Verizon Communications Inc., the U.S.

wireless giant, was potentially entering Canada by buying WIND Mobile and was also in talks with Mobilicity. During this period, the Fund benefitted from having no exposure to Atlantic Power Corporation and Just Energy Group Inc. which were down 54.8 and 27.0 percent respectively as both companies had to cut their dividends. The Fund also benefitted from its exposure to some U.S. Utilities as the S&P 500 Utilities Index was up 9.9 percent, outperforming the S&P/TSX Utilities Index which declined 4.0 percent.

Due to the relatively low level of volatility in companies within the portfolio, 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 2013, the net realized gain on options attributable to the SSO strategy was $0.01 per unit. The Fund ended June 30, 2013 with approximately 10 percent of the portfolio subject to covered calls. The Fund also maintained its invested position during the majority of the period and ended with a cash position of 2 percent compared to 1 percent at the end of 2012. The allocation between the two sectors at the end of the period was approximately 79 percent invested in Utilities stocks with the remaining 21 percent invested in Telecom stocks.

Stocks within the Canadian Utilities and Telecommunication Services universe are characterized by their predictable cash flows. They are generally regarded as defensive investments and have high and growing dividends. A few notable examples of companies within the portfolio that announced dividend increases during the period are: Rogers Communications Inc. which increased its dividend by 10 percent and Canadian Utilities Ltd. and Algonquin Power & Utilities Corp. which each increased its dividend by 9.6 percent.

The Manager remains cautiously 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, as well as their track record of paying high and growing dividends over time. Although interest rates are expected to rise over time, the valuation of companies in the portfolio are at moderately attractive levels when measured by price to earnings ratios and current dividend yields and that it should continue to act as 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, 2013

	% of Net Asset Value
Utilities	81 %
Telecommunication Services	20 %
Cash	2 %
Other Assets (Liabilities)	(3)%
	100 %

Portfolio Holdings

June 30, 2013

	% of Net Asset Value
Pembina Pipeline Corporation	7 %
Algonquin Power & Utilities Corp.	6 %
AltaGas Ltd.	6 %
Keyera Corp.	6 %
Superior Plus Corp.	6 %
Gibson Energy Inc.	6 %
Inter Pipeline Fund L.P.	6 %
TransCanada Corp.	5 %
BCE Inc.	5 %
Canadian Utilities Ltd.	5 %
Enbridge Inc.	5 %
Bell Aliant Inc.	5 %
Fortis Inc.	5 %
Veresen Inc.	5 %
Manitoba Telecom Services Inc	4 %
Enbridge Income Fund Holdings Inc.	4 %
TELUS Corporation	4 %
NextEra Energy, Inc.	4 %
AGL Resources Inc.	3 %
Cash	2 %
Capital Power Corporation	2 %
Rogers Communications Inc. - Class B	2 %

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, 2012.

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

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

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

August 6, 2013

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, 2013 (Unaudited) and December 31, 2012 (Audited)

	2013	2012
ASSETS		
Investments at fair value (cost - $43,244,143; 2012 - $47,064,254)	**$ 45,096,634**	$ 51,320,434
Cash	**1,123,025**	503,368
Dividends receivable	**281,737**	262,928
Due from brokers - investments	**4,614,525**	–
TOTAL ASSETS	**51,115,921**	52,086,730
LIABILITIES		
Redemptions payable	**5,430,515**	–
Due to brokers - investments	**246,820**	–
Accrued liabilities	**86,601**	96,918
Accrued management fees	**43,909**	47,892
TOTAL LIABILITIES	**5,807,845**	144,810
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 45,308,076**	$ 51,941,920
Number of Units Outstanding	**3,823,500**	4,281,300
Net Assets per Unit (Note 3)	**$ 11.8499**	$ 12.1323

Statements of Financial Operations

Six months ended June 30 (Unaudited)

	2013	2012
REVENUE		
Dividends	$ 1,096,048	$ 1,265,075
Interest and other income	1,100	2,586
Withholding taxes	(13,033)	(11,567)
TOTAL REVENUE	1,084,115	1,256,094
EXPENSES		
Management fees	292,716	336,937
Service fees	112,282	122,005
Administrative and other expenses	77,662	66,436
Transaction fees (Note 4)	84,739	83,650
Custodian fees	25,589	27,180
Audit fees	13,119	13,338
Advisory board fees	9,815	10,445
Independent review committee fees	4,224	4,041
Legal fees	2,359	2,734
Unitholder reporting costs	8,899	9,732
Harmonized sales tax	29,817	36,706
TOTAL EXPENSES	661,221	713,204
Net Investment Income	422,894	542,890
Net gain on sale of investments	2,710,585	2,902,446
Net gain (loss) on sale of derivatives	(40,498)	38,787
Net Gain on Sale of Investments	2,670,087	2,941,233
Net change in unrealized appreciation/ depreciation of investments	(2,403,033)	(4,134,734)
Net Gain (Loss) on Investments	267,054	(1,193,501)
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 689,948	$ (650,611)
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 4,278,728; 2012 - 5,055,698)	$ 0.1613	$ (0.1287)

Financial Statements

Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2013	2012
NET ASSETS, BEGINNING OF PERIOD	**$ 51,941,920**	$ 62,754,648
Net Increase (Decrease) in Net Assets from Operations	**689,948**	(650,611)
Unit Transactions		
Recovery of issue costs	**–**	78,959
Amount paid for units redeemed	**(5,430,515)**	(9,247,608)
	(5,430,515)	(9,168,649)
Distributions to Unitholders		
From net investment income	**(956,662)**	(1,069,861)
From net realized gain on investments	**(936,615)**	(588,691)
Non-taxable distributions	**–**	(502,068)
	(1,893,277)	(2,160,620)
Changes in Net Assets during the Period	**(6,633,844)**	(11,979,880)
NET ASSETS, END OF PERIOD	**$ 45,308,076**	$ 50,774,768

Statements of Net Gain on Sale of Investments

Six months ended June 30 (Unaudited)

	2013	2012
Proceeds from Sale of Investments	**$ 50,338,330**	$ 51,400,208
Cost of Investments Sold		
Cost of investments, beginning of period	**47,064,254**	52,995,623
Cost of investments purchased	**43,848,132**	41,921,637
	90,912,386	94,917,260
Cost of Investments, End of Period	**(43,244,143)**	(46,458,285)
	47,668,243	48,458,975
NET GAIN ON SALE OF INVESTMENTS	**$ 2,670,087**	$ 2,941,233

Statement of Investments

As at June 30, 2013 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Telecommunication Services				
BCE Inc.	52,100	$ 2,258,007	$ 2,246,552	
Bell Aliant Inc.	75,000	2,150,063	2,115,750	
Manitoba Telecom Services Inc	57,000	2,046,464	2,028,060	
Rogers Communications Inc. - Class B	22,800	916,429	938,904	
TELUS Corporation	64,600	1,871,515	1,983,220	
Total Telecommunication Services		9,242,478	9,312,486	20.6 %
Utilities				
Algonquin Power & Utilities Corp.	393,000	2,762,028	2,841,390	
AltaGas Ltd.	75,900	2,415,320	2,796,156	
Canadian Utilities Ltd.	60,400	2,109,516	2,219,096	
Capital Power Corporation	54,200	1,167,459	1,115,436	
Enbridge Inc.	49,100	2,006,573	2,165,801	
Enbridge Income Fund Holdings Inc.	83,400	2,159,854	1,994,094	
Fortis Inc.	64,500	2,222,358	2,075,610	
Gibson Energy Inc.	104,900	2,215,514	2,579,491	
Inter Pipeline Fund L.P.	117,500	2,198,884	2,542,700	
Keyera Corp.	47,700	1,987,318	2,697,912	
Pembina Pipeline Corporation	97,000	2,750,558	3,121,460	
Superior Plus Corp.	211,000	2,619,153	2,597,410	
TransCanada Corp.	49,900	2,389,659	2,258,474	
Veresen Inc.	164,100	2,268,167	2,046,327	
Total Utilities		31,272,361	33,051,357	72.9 %
Total Canadian Common Shares		$ 40,514,839	$ 42,363,843	93.5 %
United States Common Shares				
Utilities				
AGL Resources Inc.	29,900	$ 1,303,025	$ 1,351,306	
NextEra Energy, Inc.	19,400	1,562,475	1,667,371	
Total United States Common Shares		$ 2,865,500	$ 3,018,677	6.7 %
Forward Exchange Contracts				
Sold USD $250,000, Bought CAD $255,400 @ 0.97886 - July 17, 2013			$ (8,453)	
Sold USD $500,000, Bought CAD $507,550 @ 0.98512 - July 17, 2013			(20,152)	
Sold USD $450,000, Bought CAD $463,118 @ 0.97167 - August 14, 2013			(12,144)	
Sold USD $550,000, Bought CAD $561,825 @ 0.97895 - August 14, 2013			(19,044)	
Sold USD $1,000,000, Bought CAD $1,013,300 @ 0.98687 - August 14, 2013			(42,811)	
Sold USD $200,000, Bought CAD $204,240 @ 0.97924 - September 11, 2013			(7,124)	
Total Forward Exchange Contracts			$ (109,728)	(0.3)%

Financial Statements

Statement of Investments

As at June 30, 2013 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets
Written Covered Call Options				
(100 shares per contract)				
AGL Resources Inc.				
- July 2013 @ $42	(75)	$ (5,834)	$ (11,277)	
Canadian Utilities Ltd.				
- July 2013 @ $36	(151)	(12,080)	(29,764)	
Capital Power Corporation				
- July 2013 @ $20	(135)	(3,443)	(10,747)	
Gibson Energy Inc.				
- July 2013 @ $24	(262)	(12,738)	(24,001)	
NextEra Energy, Inc.				
- July 2013 @ $78	(97)	(19,583)	(45,025)	
Pembina Pipeline Corporation				
- July 2013 @ $31	(240)	(16,320)	(42,692)	
TELUS Corporation				
- July 2013 @ $34	(215)	(13,760)	(3,440)	
TransCanada Corp.				
- July 2013 @ $45	(125)	(9,125)	(9,212)	
Total Written Covered Call Options		(92,883)	(176,158)	(0.4)%
Total Options		$ (92,883)	$ (176,158)	(0.4)%
Adjustment for transaction costs		(43,313)		
TOTAL INVESTMENTS		$ 43,244,143	$ 45,096,634	99.5 %
OTHER NET ASSETS			211,442	0.5 %
TOTAL NET ASSETS			$ 45,308,076	100.0 %

Notes to Financial Statements

June 30, 2013

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, 2012.

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, 2012.

2. Normal Course Issuer Bid

On April 29, 2013, the Fund announced it filed a Notice of Intention to make a normal course issuer bid to purchase up to 427,943 units representing approximately 10 percent of the Fund's public float of 4,279,430 units as at April 25, 2013. The Fund may purchase up to 85,626 units in any 30-day period which is 2 percent of the 4,281,300 units issued and outstanding as at April 25, 2013. The units may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2013, 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, 2013	Dec. 31, 2012
Net Asset Value per unit (for pricing purposes)	**$ 11.8628**	$ 12.1507
Difference	**(0.0129)**	(0.0184)
Net Assets per unit (for financial statement purposes)	**$ 11.8499**	$ 12.1323

Notes to Financial Statements

June 30, 2013

4. Transaction Fees

Total transaction fees for the six months ended June 30, 2013 in connection with portfolio transactions were $84,739 (June 30, 2012 - $83,650). Of this amount $48,176 (June 30, 2012 - $41,847) 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, 2012.

The following is a summary of the inputs used as of June 30, 2013 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	$ 42,363,843	$ –	$ –	$ 42,363,843
United States Common Shares	3,018,677	–	–	3,018,677
Forward Exchange Contracts	–	(109,728)	–	(109,728)
Options	(48,465)	(127,693)	–	(176,158)
Total Investments	$ 45,334,055	$ (237,421)	$ –	$ 45,096,634

The following is a summary of the inputs used as of December 31, 2012 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	$ 48,034,663	–	–	$ 48,034,663
United States Common Shares	3,315,201	–	–	3,315,201
Forward Exchange Contracts	–	(29,430)	–	(29,430)
Total Investments	$ 51,349,864	$ (29,430)	$ –	$ 51,320,434

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2013 and during the year ended December 31, 2012.

Other Price Risk

Approximately 100 percent (December 31, 2012 - 99 percent) of the Fund's net assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2013, the net assets of the Fund would have increased or decreased by approximately $4.5M (December 31, 2012 - $5.1M) respectively or 10.0 percent (December 31, 2012 - 9.9 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 7 percent (December 31, 2012 - 7 percent) of the Fund's net assets held at June 30, 2013 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, 2013 and December 31, 2012, 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 financial instruments that were authorized for trading with the Fund during the current period based on Standard & Poor's credit ratings as of June 30, 2013:

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

The following are the credit ratings for the counterparties to derivative financial instruments that were authorized for trading with the Fund during the prior year based on Standard & Poor's credit ratings as of December 31, 2012:

Notes to Financial Statements

June 30, 2013

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

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 year ending December 31, 2014.

7. Comparative Figures

Distributions for the six months ended June 30, 2012 of $370,344 have been reclassified from net investment income ($129,859) and net realized gain on investments ($240,485) to non-taxable distributions to conform with the presentation in the most recent audited financial statements for the year ended December 31, 2012.

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)
Core Canadian Dividend Trust (CDD.UN)
Gold Participation and Income Fund (GPF.UN)
Low Volatility U.S. Equity Income Fund (LVU.UN)
Premier Canadian Income Fund (PCU.UN)
Top 10 Canadian Financial Trust (TCT.UN)

SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)
S Split Corp. (SBN.PR.A/SBN)
Top 10 Split Trust (TXT.PR.A/TXT.UN)
World Financial Split Corp. (WFS.PR.A/WFS)

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