SEMI-ANNUAL REPORT

2014

CANADIAN UTILITIES & TELECOM INCOME FUND

strathbridge ASSET MANAGEMENT

Letter to Unitholders

We are pleased to present the 2014 semi-annual report containing the management report of fund performance and the unaudited financial statements for Canadian Utilities & Telecom Income Fund.

After generating mixed returns in the first quarter of 2014 amid concerns surrounding geopolitical tension between Ukraine and Russia as well as comments from the U.S. Federal Reserve that it would consider raising interest rates, most Global equity markets advanced in the second quarter. The rally was fueled by economic data out of the U.S. which started to rebound from the weakness driven by harsh weather experienced this past winter. Europe, meanwhile, continued to improve economically as indicated by the regional purchasing managers indexes. The European Central Bank kept monetary policy accommodative by reducing its key benchmark rate to an unprecedented rate of negative 0.10 percent with an eye on the possible negative economic effects from geopolitical tensions in Ukraine and the Middle East. Although the Canadian economy posted subdued growth during the six month period, the S&P/TSX Composite Index outperformed most other markets in the first half of 2014 due to strength in the Energy and Materials sectors

During the six months ended June 30, 2014, the Fund paid cash distributions of $0.43 per unit. The net asset value per unit increased from $11.77 at December 31, 2013 to $12.73 at June 30, 2014. The total return of the Fund, including the reinvestment of distributions, was 12.0 percent for the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see "The Fund") amounted to $0.01 per unit as compared to a net realized gain on options of $0.01 per unit a year ago. 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, 2014 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, 2014, cash distributions of $0.43 per unit were paid to unitholders, compared to $0.44 per unit a year ago.

Since the inception of the Fund in December 2010, the Fund has paid total cash distributions of $2.96 per unit.

Revenue and Expenses

For the six months ended June 30, 2014, the Fund’s total revenue was $0.27 per unit, up $0.02 per unit from the prior year. Total expenses per unit were $0.16 per unit unchanged from the prior year. The Fund had a net realized and unrealized gain of $1.27 per unit in the first half of 2014 as compared to a net realized and unrealized gain of $0.06 per unit a year earlier.

Net Asset Value

The net asset value per unit of the Fund increased 8.2 percent from $11.77 at December 31, 2013 to $12.73 at June 30, 2014. The total net asset value of the Fund increased by $0.7 million, from $45.0 million at December 31, 2013 to $45.7 million at June 30, 2014, reflecting an increase in net assets attributable to equity holders of $5.3 million, partially offset by redemptions of $3.0 million and cash distributions of $1.6 million.

Recent Developments

There were no recent developments pertaining to the Fund during the six months ended June 30, 2014.

Transition to International Financial Reporting Standards Accounting Policies

The Fund has adopted International Financial Reporting Standards (”IFRS”) accounting policies for the year beginning January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, 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. Under IFRS 13, Fair Value Measurement, the fair value of investments is to be based on a price within the bid-ask spread. It also allows the use of certain pricing conventions such as last traded prices as a practical expedient for fair value measurements within a bid-ask spread. Note 5 to the financial statements for the six months ended June 30, 2014 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

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, 2014 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2014
NET ASSETS PER UNIT	
Net Assets, beginning of period(1)	**$ 11.77**(6)
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	**0.27**
Total expenses	**(0.16)**
Realized gain (loss) for the period	**1.12**
Unrealized gain (loss) for the period	**0.15**
Total Increase (Decrease) from Operations(2)	**1.38**
DISTRIBUTIONS	
From net investment income	**(0.26)**
From capital gains	**(0.17)**
Non-taxable distributions	**–**
Total Distributions(3)	**(0.43)**
Net Assets, end of period(1)	**$ 12.73**

(1) Net assets per unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices for the six months ended June 30, 2014 and for all years ended December 31 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 ending net assets as calculations are based on the weighted average number of units outstanding during the period.

	Six months ended June 30, 2014
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value ($millions)	**$ 45.69**
Number of units outstanding	**3,590,002**
Management expense ratio(1)	**2.17%**(4)
Portfolio turnover rate(2)	**167.10%**
Trading expense ratio(3)	**0.38%**(4)
Net Asset Value per unit(5)	**$ 12.73**
Closing market price	**$ 12.30**

(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.

As a result of the adoption of IFRS, for June 30, 2014, the net assets per unit presented in the financial statements and the net asset value per unit calculated weekly are both valued at closing prices. For all periods ended December 31, 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			
	2013	2012	2011	2010[4]
	$ 12.13	$ 12.40	$ 11.23	$ 11.25[5]
	0.52	0.48	0.55	0.01
	(0.30)	(0.28)	(0.26)	(0.01)
	0.50	1.00	0.20	–
	(0.25)	(0.71)	1.52	(0.01)
	0.47	0.49	2.01	(0.01)
	(0.25)	(0.46)	(0.06)	–
	–	(0.26)	–	–
	(0.60)	(0.13)	(0.78)	–
	(0.85)	(0.85)	(0.84)	–
	$ 11.76	$ 12.13	$ 12.40	$ 11.23

(3) Distributions to unitholders are based on the number of units outstanding on the record date. All distributions were paid in cash.
(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.
(6) Net Assets has been adjusted for the adoption of IFRS. (See Note 5 to the financial statements for the six months ended June 30, 2014).

	Periods Ended December 31			
	2013	2012	2011	2010[6]
	$ 45.00	$ 52.02	$ 62.83	$ 55.04
	3,823,500	4,281,300	5,060,000	4,900,000
	2.08%	2.01%	1.96%	2.46%[4]
	228.39%	169.22%	168.08%	0.31%
	0.44%	0.30%	0.32%	0.30%[4]
	$ 11.77	$ 12.15	$ 12.42	$ 11.23
	$ 11.67	$ 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,

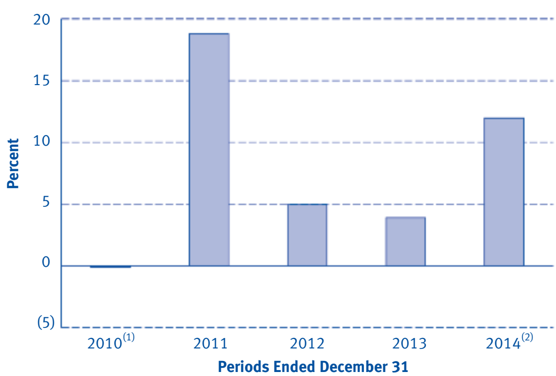
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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 four years and for the six months ended June 30, 2014. 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, 2014 for the six months ended.

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, 2014.

Portfolio Manager Report

After generating mixed returns in the first quarter of 2014 amid concerns surrounding geopolitical tension between Ukraine and Russia as well as comments from the U.S. Federal Reserve that it would consider raising interest rates, most Global equity markets advanced in the second quarter. The rally was fueled by economic data out of the U.S. which started to rebound from the weakness driven by harsh weather experienced this past winter. Europe, meanwhile, continued to improve economically as indicated by the regional purchasing managers indexes. The European Central Bank kept monetary policy accommodative by reducing its key benchmark rate to an unprecedented rate of negative 0.10 percent with an eye on the possible negative economic effects from geopolitical tensions in Ukraine and the Middle East. Although the Canadian economy posted subdued growth during the six month period, the S&P/TSX Composite Index outperformed most other markets in the first half of 2014 due to strength in the Energy and Materials sectors.

The NAV per unit of the Fund was $12.73 at June 30, 2014 compared to $11.77 at December 31, 2013. Unitholders received cash distributions of $0.43 per unit during the period. The Fund's units listed on the Toronto Stock Exchange as LVU.UN, closed on June 30, 2014 at $12.30 per unit, which represents a 3.4 percent discount to the NAV per unit. The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2014 was 12.0 percent. The total return for the S&P/TSX Capped Utilities Index for the same period was 10.1 percent while the S&P/TSX Capped Telecom Services Sector Index has a total return of 4.2 percent. Both sectors lagged the broader S&P/TSX Composite Index which had a total return of 12.9 percent during the period. The best performing stock within the portfolio was Veresen Inc. ("Veresen") which rose 35.4 percent during the period. Veresen advanced on expectations it would go ahead with its proposed Jordan Cove liquefied natural gas export terminal project in Oregon after it received approval from the U.S. Department of Energy. At the other end of the spectrum, Just Energy Group Inc., which the Fund had no exposure to during the period, was the laggard down 14.8 percent after reporting weaker than expected first quarter results and concerns that a second dividend cut was coming in as many years. The Fund also benefitted from its exposure to some U.S. Utilities during the period as the S&P 500 Utilities Index was up 18.6 percent, outperforming the S&P/TSX Capped Utilities Index.

Due to the relatively low level of volatility in companies within the portfolio, the Fund was not very active in its selective covered call writing as the lower volatility did not compensate the Fund enough to justify this activity. During the first half of 2014, the net realized gain on options attributable to the Strathbridge Selective Overwriting ("SSO") strategy was $0.01 per unit. The Fund ended June 30, 2014 with approximately 3.5 percent of the portfolio subject to covered calls. The Fund maintained its invested position during the majority of the period and ended June 30, 2014 with a cash position of 6.5 percent compared to 2.8 percent at the end of 2013. The allocation between the two sectors at June 30, 2014 was approximately 83 percent invested in Utilities with the remaining 17 percent invested in Telecommunications Services.

Stocks within the portfolio continued to raise their dividends during the period as evidenced by a few notable examples: AltaGas Ltd., Canadian Utilities Ltd. and Gibson Energy Inc. which increased their dividends by 15.7 percent, 10.3 percent and 9.1 percent respectively.

Management Report of Fund Performance

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, 2014

	% of Net Asset Value
Utilities	82.4 %
Telecommunication Services	16.8 %
Cash	6.5 %
Other Assets (Liabilities)	(5.7)%
	100.0 %

Portfolio Holdings

June 30, 2014

	% of Net Asset Value
Keyera Corp.	7.8 %
Pembina Pipeline Corporation	7.4 %
Inter Pipeline Fund L.P.	7.4 %
TELUS Corporation	7.1 %
Enbridge Income Fund Holdings Inc.	7.1 %
Gibson Energy Inc.	7.0 %
AltaGas Ltd.	6.7 %
Cash	6.5 %
Veresen Inc.	5.4 %
Northland Power Inc.	4.3 %
Superior Plus Corp.	4.2 %
TransCanada Corp.	4.1 %
Algonquin Power & Utilities Corp.	4.0 %
BCE Inc.	3.9 %
ONEOK, Inc.	3.2 %
NextEra Energy, Inc.	3.2 %
Sempra Energy	3.2 %
DTE Energy Company	3.2 %
AGL Resources Inc.	3.1 %
Verizon Communications Inc.	3.0 %
Bell Aliant Inc.	2.8 %
Canadian Utilities Limited	1.1 %

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of Canadian Utilities & Telecom Income Fund (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") 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 financial statements for the six months ended June 30, 2014.

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

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

John P. Mulvihill
Director
Strathbridge Asset Management Inc.

John D. Germain
Director
Strathbridge Asset Management Inc.

August 11, 2014

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 Chartered Professional Accountants of Canada.

Financial Statements

Statements of Financial Position

As at June 30, 2014, December 31, 2013 and January 1, 2013 (Unaudited)

	Note	**June 30, 2014**	Dec. 31, 2013	Jan. 1, 2013
			Restated	Restated
ASSETS				
Financial assets at fair value through profit or loss	3,5	**$ 45,392,593**	$ 43,601,521	$ 51,399,271
Dividends receivable		**281,219**	292,071	262,928
Due from brokers - investments		**1,569,823**	–	–
Cash		**2,966,780**	1,240,006	503,368
TOTAL ASSETS		**50,210,415**	45,133,598	52,165,567
LIABILITIES				
Redemptions payable		**2,972,336**	–	–
Due to brokers - investments		**1,430,049**	–	–
Accrued liabilities		**77,591**	94,078	96,918
Accrued management fees		**43,675**	42,605	47,892
TOTAL LIABILITIES		**4,523,651**	136,683	144,810
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	5	**$ 45,686,764**	$ 44,996,915	$ 52,020,757
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT		**$ 12.7261**	$ 11.7685	$ 12.1507

The notes are an integral part of the Financial Statements.

Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

	Note	2014	2013 Restated
INCOME			
Dividend income		$ 1,039,450	$ 1,096,048
Interest income		–	1,100
Net realized gain on investments at fair value through profit or loss		4,286,619	2,710,585
Net realized gain on options at fair value through profit or loss		46,556	46,974
Net realized loss on forward exchange contracts at fair value through profit or loss		(71,418)	(87,472)
Net change in unrealized appreciation/depreciation of investments at fair value through profit or loss	5	591,584	(2,432,709)
TOTAL INCOME		5,892,791	1,334,526
EXPENSES			
Management fees	10	257,356	292,716
Service fees		93,639	112,282
Administrative and other expenses		62,422	77,662
Transaction fees	11	88,158	84,739
Custodian fees		22,566	25,589
Audit fees		13,266	13,119
Advisory board fees	10	10,200	9,815
Independent review committee fees	10	3,491	4,224
Legal fees		2,179	2,359
Unitholder reporting costs		7,927	8,899
Harmonized sales tax		23,310	29,817
Withholding taxes		12,081	13,033
TOTAL EXPENSES		596,595	674,254
INCREASE IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	5,12	$ 5,296,196	$ 660,272
INCREASE IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT	12	$ 1.3856	$ 0.1543

The notes are an integral part of the Financial Statements.

Financial Statements

Statement of Changes in Equity

Six months ended June 30, 2014 (Unaudited)

	Note	Unit Capital	Retained Earnings	Total
BALANCE AT JANUARY 1, 2013		**$ 48,237,525**	**$ 3,783,232**	**$ 52,020,757**
Increase in Net Assets Attributable to Equity Holders		–	1,857,911	1,857,911
Distributions		–	(3,451,238)	(3,451,238)
Value for units redeemed		(5,158,045)	(272,470)	(5,430,515)
BALANCE AT DECEMBER 31, 2013	5	**$ 43,079,480**	**$ 1,917,435**	**$ 44,996,915**
Increase in Net Assets Attributable to Equity Holders		–	5,296,196	5,296,196
Distributions		–	(1,634,011)	(1,634,011)
Value for units redeemed		(2,630,828)	(341,508)	(2,972,336)
BALANCE AT JUNE 30, 2014		**$ 40,448,652**	**$ 5,238,112**	**$ 45,686,764**

The notes are an integral part of the Financial Statements.

Statements of Cash Flows

Six months ended June 30 (Unaudited)

	Note	2014	2013
			Restated
CASH, BEGINNING OF YEAR		$ 1,240,006	$ 503,368
Cash Flows Provided by (Used In) Operating Activities			
Increase in Net Assets Attributable to Equity Holders		**5,296,196**	660,272
Adjustments to Reconcile Increase/Decrease in Net Assets Attributable to Equity Holders to Net Cash Provided by (Used In) Operating Activities			
Purchase of investment securities		**(76,614,111)**	(43,848,132)
Proceeds from disposition of investment securities		**79,683,009**	50,338,330
Net realized (gain)/loss on investments at fair value through profit or loss		**(4,286,619)**	(2,710,585)
Net realized (gain)/loss on options at fair value through profit or loss		**(46,556)**	(46,974)
Net realized (gain)/loss on forward exchange contracts at fair value through profit or loss		**71,418**	87,472
Net change in unrealized appreciation/depreciation of investments at fair value through profit or loss	5	**(591,584)**	2,432,709
(Increase)/decrease in dividends receivable and due from brokers - investments		**(1,558,971)**	(4,633,334)
Increase/(decrease) in accrued liabilities, accrued management fees and due to brokers - investments		**1,414,632**	232,520
Net change in unrealized appreciation/depreciation of cash		**(6,629)**	656
		(1,935,411)	1,852,662
Cash Flows Provided by (Used In) Financing Activities			
Unitholder distributions		**(1,634,011)**	(1,893,277)
Net Increase/(Decrease) in Cash During the Period		**1,726,774**	619,657
CASH, END OF YEAR		**$ 2,966,780**	$ 1,123,025

Interest received		**$ –**	$ 1,100
Dividends received		**$ 1,028,598**	$ 1,114,857

The notes are an integral part of the Financial Statements.

Financial Statements

Schedule of Investments

As at June 30, 2014 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Equity Holders
INVESTMENTS				
Canadian Common Shares				
Telecommunication Services				
BCE Inc.	37,000	$ 1,745,227	$ 1,790,800	
Bell Aliant Inc.	44,800	1,287,189	1,249,472	
TELUS Corporation	81,500	3,200,049	3,241,255	
Total Telecommunication Services		6,232,465	6,281,527	13.8 %
Utilities				
Algonquin Power & Utilities Corp.	223,000	1,760,813	1,835,290	
AltaGas Ltd.	62,100	2,235,312	3,047,868	
Canadian Utilities Limited	12,600	503,404	504,000	
Enbridge Income Fund Holdings Inc.	115,900	2,945,859	3,235,928	
Gibson Energy Inc.	93,800	2,889,076	3,192,952	
Inter Pipeline Fund L.P.	101,700	2,766,008	3,368,304	
Keyera Corp.	45,400	2,882,659	3,568,894	
Northland Power Inc.	107,900	1,956,444	1,967,017	
Pembina Pipeline Corporation	74,100	2,885,028	3,401,931	
Superior Plus Corp.	135,500	1,825,804	1,922,745	
TransCanada Corp.	36,800	1,785,774	1,874,224	
Veresen Inc.	131,500	2,344,936	2,465,625	
Total Utilities		26,781,117	30,384,778	66.5 %
Total Canadian Common Shares		$ 33,013,582	$ 36,666,305	80.3 %
United States Common Shares				
Telecommunication Services				
Verizon Communications Inc.	26,400	$ 1,412,445	$ 1,375,916	3.0 %
Utilities				
AGL Resources Inc.	24,600	1,370,355	1,441,942	
DTE Energy Company	17,400	1,451,241	1,443,220	
NextEra Energy, Inc.	13,400	1,455,436	1,462,706	
ONEOK, Inc.	20,200	1,441,900	1,464,819	
Sempra Energy	13,000	1,446,134	1,449,922	
Total Utilities		7,165,066	7,262,609	15.9 %
Total United States Common Shares		$ 8,577,511	$ 8,638,525	18.9 %

The notes are an integral part of the Financial Statements.

Schedule of Investments

As at June 30, 2014 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets Attributable to Equity Holders
Forward Exchange Contracts				
Sold USD $1,710,000, Bought CAD $1,857,795 @ 0.92045 - July 16, 2014			$ 35,564	
Sold USD $1,500,000, Bought CAD $1,632,825 @ 0.91865 - August 6, 2014			33,479	
Sold USD $1,000,000, Bought CAD $1,088,010 @ 0.91911 - August 20, 2014			21,430	
Sold USD $1,600,000, Bought CAD $1,716,160 @ 0.93231 - August 20, 2014			9,677	
Sold USD $2,300,000, Bought CAD $2,471,235 @ 0.93071- September 10, 2014			16,908	
Total Forward Exchange Contracts			$ 117,058	0.3 %
Options				
Written Covered Call Options (100 shares per contract)				
ONEOK, Inc. - July 2014 @ $65	(67)	$ (8,216)	$ (22,123)	
TELUS Corporation - July 2014 @ $42	(155)	(5,609)	(1,162)	
TransCanada Corp. - July 2014 @ $51	(92)	(6,348)	(6,010)	
Total Written Covered Call Options		(20,173)	(29,295)	
Total Options		$ (20,173)	$ (29,295)	(0.1)%
Adjustment for transaction fees		(27,259)		
TOTAL INVESTMENTS		$ 41,543,661	$ 45,392,593	99.4 %
OTHER NET ASSETS			294,171	0.6 %
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS			$ 45,686,764	100.0 %

The notes are an integral part of the Financial Statements.

Notes to Financial Statements

June 30, 2014

1. Fund Information

Canadian Utilities & Telecom Income Fund (the "Fund') is a closed-end investment trust established under the laws of the Province of Ontario on November 26, 2010. The Fund began operations on December 17, 2010.

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.

These financial statements were approved by the Board of Advisors on August 11, 2014.

2. Basis of Presentation and Adoption of International Financial Reporting Standards

The semi-annual financial statements for the Fund have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The Fund has adopted IFRS accounting policies for the year beginning January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these accounting policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

3. Summary of Significant Accounting Policies

Functional and Presentation Currency

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The Fund's portfolio is predominately Canadian securities and the functional currency is Canadian dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund's presentation currency.

Financial Instruments

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Fund's investments and derivatives within the portfolio are held for trading and measured at fair value through profit or loss ("FVTPL").

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. On adoption of IFRS, the Fund uses the last traded market price as its valuation input for financial assets and liabilities if the last traded price falls within the bid-ask spread. In other circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value for financial reporting purposes.

The fair value of financial assets and liabilities that are not traded in an active market is determined by valuation techniques as described in Note 4.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Net realized gain/loss on investments at fair value through profit or loss and change in unrealized appreciation/depreciation of investments at fair value through profit or loss are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

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

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

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

Realized gains and losses related to options are included in net realized gain/ (loss) on options at fair value through profit or loss. Realized gains and losses relating to purchased put options may arise from:

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

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

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

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

Dividend income is recorded on the ex-dividend date.

Interest income is measured using the effective interest method and recorded on a daily basis.

Foreign Currency Translation

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

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

Short-Term Investments

Short-term investments are held for investment purposes and consist primarily of money market instruments with original maturities of one year or less.

Increase/(Decrease) in Net Assets Attributable to Equity Holders

The increase/(decrease) in net assets attributable to equity holders per unit is calculated by dividing the increase/(decrease) in net assets attributable to equity holders by the weighted average number of units outstanding during the period. Please refer to Note 12 for the calculation.

Taxation

The Fund is a “mutual fund trust” as defined in the Income Tax Act (Canada) (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.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgement in applying accounting policies and to make estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements.

In classifying and measuring the financial instruments held by the Fund, the Manager determined that the Fund invests on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments - Recognition and Measurement. The portfolio investments are held for trading and valued at FVTPL accordingly.

The Fund may, from time to time, hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation models and techniques generally recognized as standard within the investment industry. These valuation methods use observable data as practicable as possible. Observable market data are readily available and supplied by independent sources actively involved in the relevant market. However, areas such as credit risk (both own and counterparty) and its correlations require the Manager to make estimates. Significant changes in assumptions about these factors could adversely affect the reported fair values of financial instruments. Please refer to Note 7 for a further analysis of risks associated with financial instruments.

5. Transition to IFRS

The effect of the Fund's transition to IFRS is summarized as follows:

Transition Elections

No financial asset or liability at FVTPL was designated at inception by way of voluntary exemption. Based on the investment strategies adopted by the Fund, securities in the portfolio are classified as held for trading and therefore required to be at FVTPL.

Statement of Cash Flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Reconciliation of Net Assets and Comprehensive Income as previously reported under Canadian GAAP to IFRS

Net Assets	Dec. 31, 2013	June 30, 2013	Jan. 1, 2013
Net Assets as reported under Canadian GAAP	$ 44,973,824	$ 45,308,076	$ 51,941,920
Revaluation of investments at FVTPL	23,091	49,161	78,837
Net Assets Attributable to Equity Holders	$ 44,996,915	$ 45,357,237	$ 52,020,757

Comprehensive Income	June 30, 2013
Comprehensive Income as reported under Canadian GAAP	$ 689,948
Revaluation of investments at FVTPL	(29,676)
Increase in Net Assets Attributable to Equity Holders	$ 660,272

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, 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. Under IFRS 13, Fair Value Measurement, the fair value of investments is to be based on a price within the bid-ask spread. It also allows the use of certain pricing conventions such as last traded prices as a practical expedient for fair value measurements within a bid-ask spread. As a result of the use of last traded prices upon IFRS transition, adjustments were recognized to increase the carrying amount of the Fund's investments by $78,837 as at January 1, 2013 and $23,091 as at December 31, 2013. Another impact of fair value adjustments was to decrease the Fund's increase/(decrease) in net assets attributable to equity holders by $29,676 for the six months ended June 30, 2013.

Reclassification Adjustments

The Fund reclassified withholding taxes from the total revenue section to the total expenses section in the Statement of Comprehensive Income upon transition in order to conform to the financial statement presentation under IFRS.

6. Capital Disclosures

IAS 1, Presentation of Financial Statements, 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 1, information on the Fund's units is described in Note 9 and the trust indenture does not have any externally imposed capital requirements.

7. Risks Associated with Financial Instruments

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 credit risk, liquidity risk, market risk (including currency risk, interest rate risk, and price risk), concentration risk and capital risk management.

Tables are based on restatements of values of financial assets at fair value through profit and loss and unrealized appreciation/depreciation of investments as at December 31, 2013 and January 1, 2013 to comply with IFRS. Note 5 discloses the transition adjustments.

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 Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed 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. During the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor's Ratings Services.

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.

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

The amounts in the table are the contractual undiscounted cash flows:

June 30, 2014 Financial Liabilities	On Demand	‹ 3 months	Total
Accrued management fees	$ –	$ 43,675	$ 43,675
Accrued liabilities	–	77,591	77,591
Due to brokers - investments	–	1,430,049	1,430,049
Redemptions payable	–	2,972,336	2,972,336
	$ –	$ 4,523,651	$ 4,523,651

December 31, 2013 Financial Liabilities	On Demand	‹ 3 months	Total
Accrued liabilities	$ –	$ 94,078	$ 94,078
Accrued management fees	–	42,605	42,605
	$ –	$ 136,683	$ 136,683

January 1, 2013 Financial Liabilities	On Demand	‹ 3 months	Total
Accrued liabilities	$ –	$ 96,918	$ 96,918
Accrued management fees	–	47,892	47,892
	$ –	$ 144,810	$ 144,810

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The following include sensitivity analyses that show how the net assets attributable to equity holders would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

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

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2014, December 31, 2013 and January 1, 2013 in CAD terms, and the notional amounts of foreign exchange forward contracts. The table also illustrates the potential impact on the net assets attributable to equity holders If CAD dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

June 30, 2014
United States Currency Exposure

				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	$(7,958,657)	$ 7,892,850	$ (65,807)	$ (397,933)	$ 394,643	$ (3,290)
% of Net Assets Attributable to Equity Holders	(17)%	17%	0%	(1)%	1%	0%

December 31, 2013
United States Currency Exposure

				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	$(3,753,905)	$ 3,891,977	$ 138,072	$ (187,695)	$ 194,599	$ 6,904
% of Net Assets Attributable to Equity Holders	(8)%	9%	1%	0%	0%	0%

January 1, 2013
United States Currency Exposure

				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	$(3,338,587)	$ 3,316,196	$ (22,391)	$ (166,929)	$ 165,810	$ (1,119)
% of Net Assets Attributable to Equity Holders	(6)%	6%	0%	0%	0%	0%

(b) 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 changes in rates since securities are usually held to maturity and are short-term in nature.

(c) Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to 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 the issuers included in the Portfolio Universe.

The Fund's price 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 99 percent (December 31, 2013 - 97 percent and January 1, 2013 - 99 percent) of the Fund's net assets attributable to equity holders held at June 30, 2014 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2014, the net assets attributable to equity holders would have increased or decreased by $2.3M (December 31, 2013 - $2.2M and January 1, 2013 - $2.6M) respectively or 5.0 percent (December 31, 2013 - 4.9 percent and January 1, 2013 - 4.9 percent) of the net assets attributable to equity holders all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	June 30, 2014	Dec. 31, 2013	Jan. 1, 2013
Utilities	83.1%	74.7%	70.1%
Telecommunication Services	16.9%	25.3%	29.9%
	100.0%	100.0%	100.0%

Capital Risk Management

Units may be surrendered at any time for redemption to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be redeemed only on a Redemption Date (as defined below). Units surrendered for redemption by a unitholder at least twenty business days prior to the last day in June (the "June Redemption Date") will be redeemed on such June Redemption Date. Units surrendered for redemption by a unitholder at least ten business days prior to the last day of any other month (a "Monthly Redemption Date" and, together with the June Redemption Date, a "Redemption Date"), will be redeemed on such Monthly Redemption Date. If a day that would otherwise be a Redemption Date is not a business day, the Redemption Date shall be the preceding business day. Unitholders will receive payment for the units on or before the 15th day following such Redemption Date (the "Redemption Payment Date"). Unitholders whose units are redeemed on a June Redemption Date will be entitled to receive a redemption price per unit equal to the NAV per unit determined as of such date. For unitholders whose units are redeemed on any other Redemption Date, the redemption price per unit will be equal to the lesser of: (i) 95 percent of the Market Price. For such purposes, "Market Price" means the weighted average trading price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) for the ten trading days immediately preceding the applicable Redemption Date, and (ii) 100 percent of the Closing Market Price of the units on the applicable redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Fund's portfolio. For such purposes, the "Closing Market Price" means the closing price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading).

Fair Value Measurement

The Fund classifies fair value of measurement within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs, other than quoted prices 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

Notes to Financial Statements

June 30, 2014

Level 3: Inputs that are based on unobservable market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2014, December 31, 2013 and January 1, 2013.

As at June 30, 2014	Level 1	Level 2	Level 3	Total
United States Common Shares	$ 8,638,525	$ –	$ –	$ 8,638,525
Canadian Common Shares	36,666,305	–	–	36,666,305
Forward Exchange Contracts	–	117,058	–	117,058
Options	(23,285)	(6,010)	–	(29,295)
	$ 45,281,545	$ 111,048	$ –	$ 45,392,593

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Canadian Common Shares	$ 39,774,119	$ –	$ –	$ 39,774,119
United States Common Shares	3,891,977	–	–	3,891,977
Forward Exchange Contracts	–	(64,575)	–	(64,575)
	$ 43,666,096	$ (64,575)	$ –	$ 43,601,521

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Canadian Common Shares	$ 48,112,505	$ –	$ –	$ 48,112,505
United States Common Shares	3,316,196	–	–	3,316,196
Forward Exchange Contracts	–	(29,430)	–	(29,430)
	$ 51,428,701	$ (29,430)	$ –	$ 51,399,271

The carrying values of cash, dividends receivable, interest receivable, due to brokers - investments, accrued liabilities, accrued management fees, due from brokers - investments and redemptions payable, and the Fund's obligation for net assets attributable to equity holders approximate their fair values due to their short-term nature.

(a) Equities

The Fund's equity positions are classified as Level 1 as equity securities are actively traded and a reliable quoted price is observable.

(b) Short-Term Investments

Short-term investments are valued at cost plus accrued interest which approximates fair value. The inputs are generally observable and therefore short-term investments have been classified as Level 2.

(c) Derivative Assets and Liabilities

Derivative assets and liabilities consist of forward exchange contracts and option contracts.

Listed options are classified as Level 1 as the security is traded in a recognized exchange and a reliable price is readily observable.

Fair value of over-the-counter options is determined using the Black-Scholes Model with observable market data as inputs. Forward exchange contracts are valued on the gain or loss that would be realized if, on the valuation date, the position in the forward exchange contracts, as the case may be, was to be closed out. Over-the-counter option and forward exchange contracts, for which the credit risks are determined not to be significant to fair value, have been classified as Level 2.

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2014 and during the year ended December 31, 2013.

8. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2014, December 31, 2013 and January 1, 2013. All the Fund's financial liabilities, other than its net assets attributable to equity holders, were carried at amortized cost.

Tables are based on restatements of values of financial assets at fair value through profit and loss and unrealized appreciation/depreciation of investments as at December 31, 2013 and January 1, 2013 to comply with IFRS. Note 5 discloses the transition adjustments.

As at June 30, 2014

Assets	Held for Trading	Financial Assets at Amortized Cost	Total
Non-derivative financial assets	$ 45,304,830	$ –	$ 45,304,830
Derivative assets	87,763	–	87,763
Cash	–	2,966,780	2,966,780
Dividends receivable	–	281,219	281,219
Due from brokers - investments	–	1,569,823	1,569,823
	$ 45,392,593	$ 4,817,822	$ 50,210,415

As at December 31, 2013

Assets	Held for Trading	Financial Assets at Amortized Cost	Total
Non-derivative financial assets	$ 43,666,096	$ –	$ 43,666,096
Derivative assets	(64,575)	–	(64,575)
Cash	–	1,240,006	1,240,006
Dividends receivable	–	292,071	292,071
	$ 43,601,521	$ 1,532,077	$ 45,133,598

As at January 1, 2013

Assets	Held for Trading	Financial Assets at Amortized Cost	Total
Non-derivative financial assets	$ 51,428,701	$ –	$ 51,428,701
Derivative assets	(29,430)	–	(29,430)
Cash	–	503,368	503,368
Dividends receivable	–	262,928	262,928
	$ 51,399,271	$ 766,296	$ 52,165,567

Notes to Financial Statements

June 30, 2014

The following table presents the net realized gains/(losses) on financial instruments at FVTPL by category for the six months ended June 30, 2014 and 2013.

	Net Realized Gains/(Losses)	
Financial Assets at FVTPL	June 30, 2014	June 30, 2013
Held for Trading	$ 4,261,757	$ 2,670,087
Total Financial Assets at FVTPL	$ 4,261,757	$ 2,670,087

9. Units

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

The Fund intends to pay monthly cash distributions on the last day of each month in an amount targeted to be 7.0 percent per annum on the net asset value of the Fund. If after such distributions there would otherwise remain in the Fund additional net investment income or net realized capital gains, the Fund intends to make a special distribution of such portion of the remaining net investment income and net realized capital gains as is necessary to ensure that the Fund is not liable for income tax under the Act.

During the six months ended June 30, 2014 and year ended December 31, 2013, unit transactions are as follows:

	June 30, 2014	Dec. 31, 2013
Units outstanding, beginning of year	3,823,500	4,281,300
Units redeemed	(233,498)	(457,800)
Units outstanding, end of period	3,590,002	3,823,500

10. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) Management Fees

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 custodian, manager, legal, accounting and audit fees as well as all other expenses incurred by the Custodian and Manager in the ordinary course of business relating to the Fund's operations. Total management fees for the six months ended June 30, 2014 were $257,356 (June 30, 2013 - $292,716).

(b) Board of Advisors' Remuneration

Total remuneration paid to the external members of the Board of Advisors for the six months ended June 30, 2014 were $10,200 (June 30, 2013 - $9,815).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2014 were $3,491 (June 30, 2013 - $4,224).

11. Brokerage Commissions and Soft Dollars

The Manager may select brokerages who charge a commission in soft dollars if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended June 30, 2014 and 2013 is disclosed below:

	June 30, 2014	June 30, 2013
Soft Dollars	$ 31,695	$ 48,176
Percentage of Total Transaction Fees	36.0%	56.9%

12. Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit

The Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit for the six months ended June 30, 2014 and 2013 is calculated as follows:

	June 30, 2014	June 30, 2013
Increase in Net Assets Attributable to Equity Holders	$ 5,296,196	$ 660,272
Weighted Average Number of Units Outstanding during the Period	3,822,203	4,278,728
Increase in Net Assets Attributable to Equity Holders per Unit	$ 1.3856	$ 0.1543

13. Future Accounting Policy Changes

IFRS 9: Financial Instruments ("IFRS 9"), which is intended to replace IAS 39 Financial Instruments: Recognition and Measurement, sets forth new requirements for financial instrument classification and measurement, impairment and hedge accounting. The mandatory effective date of IFRS 9 has been tentatively set for January 1, 2018. Although entities may still choose to apply IFRS 9 immediately, the Fund has chosen not to early adopt IFRS 9. Based on the Manager's current understanding and analysis of IFRS 9, the transition to IFRS 9 will change the manner in which investments are disclosed with no impact to value.

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

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

SPLIT SHARES

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

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