Artemis Investment Management

CITADEL INCOME FUND

SEMI-ANNUAL REPORT 2013

JUNE 30, 2013

(UNAUDITED)

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MANAGEMENT REPORT OF FUND PERFORMANCE

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Citadel Income Fund (the "Fund") contains financial highlights but does not contain the interim financial statements of the Fund. The interim financial statements follow this report. You may obtain a copy of the interim financial statements, at no cost, by calling 647-477-4886, or by sending a request to Investor Relations, Artemis Investment Management Limited, 5 Hazelton Avenue, Suite 200, Toronto, ON, M5R 2E1, Canada, by visiting our website at www.artemisfunds.ca, or SEDAR at www.sedar.com. Unit holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance are based on the Fund's calculation of its daily Net Asset Value ("NAV"), which is exempted from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855, except for the figures presented in the NAV per unit outstanding table, which can be found under Financial Highlights. In accordance with National Instrument 81-106, the figures in this table are derived from the financial statements.

THE FUND

The Fund is a closed-end investment trust. Artemis Investment Management Limited is the investment fund manager (the "Manager") of the Fund. The Fund has one class of units (each, a "Unit") outstanding. The Units trade on the Toronto Stock Exchange ("TSX") under the symbol CTF.UN. The Fund's portfolio is actively managed by Vestcap Investment Management Inc. ("Vestcap"), the portfolio advisor ("Portfolio Advisor") of the Fund.

INVESTMENT OBJECTIVES

Citadel Income Fund's investment objectives are to provide unitholders with a stable stream of monthly distributions and to preserve and potentially enhance the net asset value of the Fund. The Portfolio Advisor seeks to achieve these objectives by investing in a diversified portfolio of securities with a focus on income generation consisting of: (i) equity securities, of principally larger capitalization companies traded on a recognized stock exchange; (ii) debt securities with a focus on yield enhancement, with a minimum of 80% of debt security investments in investment grade debt rated BBB or higher; and (iii) income funds, each of which has, at the date of investment by the Fund, a market capitalization, excluding control positions, of $400 million.

RISKS

There are a number of risks associated with an investment in Citadel Income Fund. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include the effects of fluctuations in commodity prices, foreign currency conversion rates, interest rates and general business operation risks, any of which may affect the issuers' income and as a result reduce its distributions and the value of its units. Diversification and active management by the Fund's Portfolio Advisor of the securities held in the portfolio may reduce these risks.

RISKS (CONTINUED)

There were no changes in the period ending June 30, 2013 that materially affected the risks associated with an investment in Units of the Fund. For a complete list of risks, see the Fund's prospectus filed August 16, 2013 on the Fund's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS

The NAV of the Fund went from $106.63 million to $97.80 million from January 1, 2013 to the period ended June 30, 2013. Total revenue per Unit for the first half of 2013 was $0.08 ($1.77 million), in line with $0.08 ($3.72 million) earned during the same period in 2012. Total operations of the Fund resulted in an increase in NAV per unit of $0.29 ($6.53 million), up from a loss of $0.06 per Unit for the period in 2012 – $(2.96) million. The increase in net assets from operations was offset by redemptions in the period of $4.37 million, distributions of $4.05 million and a total charge of $7.00 million by the former Manager, Crown Hill Capital Corporation, due to its resignation. The charge was composed of a $5.35 million resignation expense, $0.84 million administrative expense and $0.80 million in applicable taxes.

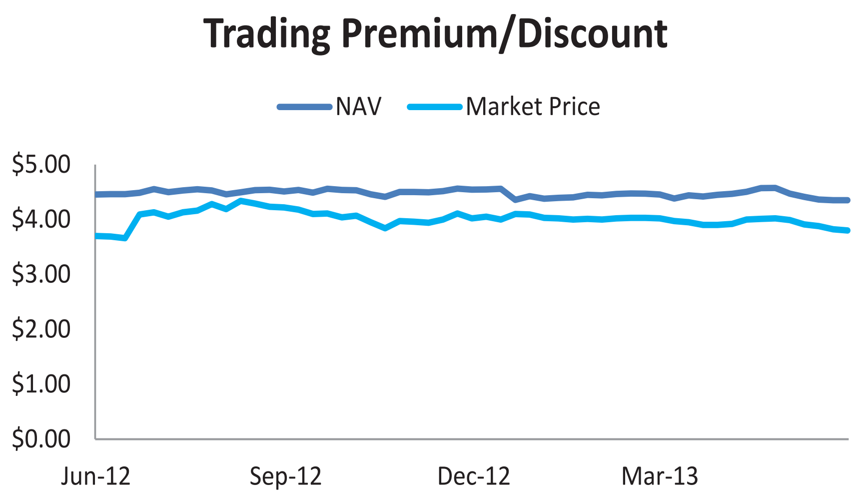
Total administrative expenses for the first six months of 2013 were $1.23 million compared to $2.63 for the same period in 2012. Management fees also decreased during the period to $0.48 million (June 30, 2012 - $1.08 million). Investment management fees also decreased to $0.27 million during the period (June 30, 2012 - $0.366 million). The reduction in administrative expenses, management fees and investment management fees largely resulted from the decrease in the net assets of the fund during the period.

The resignation expenses charged to the Fund by Crown Hill offset the underlying portfolio gains during the period. The NAV per Unit performance including, the impact of the charges related to the former Manager's resignation, resulted in a negative total return of 0.44% over the first half of 2013. Excluding all resignation expenses, the Fund would have otherwise returned a positive NAV per Unit total return of 6.11%.

For the six-month periods ended June 30, 2013 and 2012, Citadel Income Fund paid total cash distributions of $0.18 per unit based on monthly distributions of $0.03 per unit.

TRADING PREMIUM/DISCOUNT

For the first half of 2013, the Fund's market price traded at an average discount to its net asset value per unit of 10.5%, compared to an average discount of 19.4% for the same period in 2012.



RECENT DEVELOPMENTS

Warrant Offering

On August 19, 2013, the Fund announced that it had filed a short form prospectus relating to an offering of transferrable warrants (each, a "Warrant") to Unitholders of the Fund. Unitholders of record at the close of business on August 29, 2013, will receive one Warrant for each Unit of the fund held. Warrants will be exercisable between August 29, 2013 and October 17th, at a subscription price of $3.67 for each Unit. A copy of the short form prospectus has been filed on the Fund's SEDAR profile at www.sedar.com.

Annual Redemption Privilege

Under the declaration of trust of the Fund, the maximum number of Units redeemable in a year pursuant to the annual redemption privilege is 10% of the public float of the Fund as determined on the last business day of November in the preceding year less the number of Units repurchased for cancellation or otherwise redeemed by the Fund during the preceding twelve-month period (the "Maximum Redemption Amount"). The public float as determined on November 30, 2012 was 23,660,637 units and 10% of the public float was 2,366,064 Units. From January 1, 2013 to June 30, 2013, the Fund did not repurchase any Units for cancellation.

RECENT DEVELOPMENTS (CONTINUED)

Special Redemption Feature

At a special meeting on December 18, 2012, Unitholders voted in favour of the extraordinary resolution presented to Unitholders in a management information circular issued November 26, 2012. On January 18, 2013, the Fund's special redemption price was determined to be $4.355. Requests for redemptions were oversubscribed and 1,000,000 Units were redeemed on a pro rata basis.

Normal Course Issuer Bid Program ("NCIB Program")

From January 1, 2013 to June 30, 2013, the Fund did not purchase any Units under its NCIB Program. TUnder the NCIB Program, the Fund may purchase up to 2,248,541 Units of the Fund, subject to certain restrictions. Further information on this matter can be found in the press release dated February 4, 2013 on the Fund's SEDAR profile at www.sedar.com.

Change in Portfolio Advisor

On February 26, 2013, the Fund announced the appointment of Vestcap Investment Management Inc. ("Vestcap") as Portfolio Advisor of the Fund effective April 25, 2013, replacing Jarislowsky Fraser Limited. Founded in 1988, Vestcap is a Toronto-based portfolio management firm whose principals have extensive experience in managing both equity and fixed income portfolios. Further information on this matter can be found in the press release dated February 26, 2013 on the Fund's SEDAR profile at www.sedar.com.

RELATED PARTY TRANSACTIONS

The manager is entitled to receive a management fee of 1.00% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the six month period ended June 30, 2013, management fees totaled $480,053 (June 30, 2012 - $1,084,806), of which $136,007 was payable as at June 30, 2013 (June 30, 2012 - $164,841). The Fund is responsible for all expenses incurred. Prior to Artemis becoming the Manager, all expenses of the Fund were initially paid by the manager, who was then reimbursed by the Fund. Artemis generally has all expenses incurred by the Fund paid directly by the Fund.

Legal expenses for the period ended June 30, 2013 were nil compared to $573,773 for the period ended June 30, 2012. The amount for the period ended June 30, 2012 included $395,420 in legal fees incurred on behalf of the Manager and a director of the Manager in accordance with an indemnification provision contained in the Declaration of Trust.

RELATED PARTY TRANSACTIONS (CONTINUED)

Administrative Expenses for the six months ended June 30, 2013 totaled $7,178,872 (six months ended June 30, 2012 - $249,165). For the first half of 2013, Artemis charged $35,000 per month plus applicable taxes to the Fund to cover related administrative salaries, employee benefits, general overhead and office supplies (2012 - $35,000). In addition to recurring administrative expenses of the Fund, certain non-recurring expenses in the period were a result of Crown Hill announcing its resignation as trustee and manager of the Fund as of January 15, 2013. The resignation was effective upon the appointment of Artemis as the Manager of the Fund, which subsequently took place on January 16, 2013. A resignation expense of $6,047,697, was paid to Crown Hill as a result of its resignation as manager of the Fund. In addition, expenses totaling $949,200 were paid to Crown Hill.

For redemptions or repurchases made subsequent to the amended and restated Declaration of Trust as of August 9, 2012, the manager is entitled to receive a fee per unit of 5% of the net asset value per unit plus applicable taxes. For the year ended December 31, 2012, redemption fees totaled $5,651,317 of which $45,482 was payable as at December 31, 2012.

FINANCIAL HIGHLIGHTS

For the Periods Ended	**June 30, 2013**	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
NAV per Unit, Beginning of Period (1)	**$4.54**	$5.30	$5.74	$5.62	$5.36	$9.32
Increase (Decrease) From Operations:						
Total Revenue	**0.08**	0.16	0.21	0.27	0.22	0.28
Total Expenses	**(0.36)**	(0.11)	(0.14)	(0.12)	(0.19)	(0.35)
Realized Gains (Losses)	**0.11**	0.11	0.12	0.29	0.19	0.34
Unrealized Gains (Losses)	**0.15**	0.01	(0.18)	0.14	0.73	(2.29)
Total Increase (Decrease) From Operations (2)	**($0.02)**	$0.17	$0.01	$0.58	$0.95	($2.02)
Distributions:						
Return to Unitholders	**0.18**	0.36	0.36	0.48	0.45	0.72
Total Distribution per Unit (1)	**0.18**	0.36	0.36	0.48	0.45	0.72
NAV per Unit, End of Period	**$4.35**	$4.54	$5.30	$5.74	$5.62	$5.36

(1) Net asset value per unit and cash distributions per unit are based on the actual number of units outstanding at that time.
(2) The increase (decrease) from operations is based on the weighted average number of units outstanding over the period. This schedule is not a reconciliation of NAV per unit since it does not reflect unitholder transactions as show on the Statements of Changes in Net Assets and accordingly columns may not add.
(3) This information is derived from the Fund's unaudited interim financial statements. The Net Assets per Unit presented in the financial statements differs from the Net Asset Value per Unit calculated for fund pricing purposes because of the provisions of CICA Handbook Section 3855. An explanation of the differences can be found in the notes to the financial statements.
(4) Net assets and distributions are based on the actual number of Units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of Units outstanding over the financial period.
(5) This is not a reconciliation of the beginning and ending Net Assets per Unit.

MANAGEMENT REPORT OF FUND PERFORMANCE

RATIOS AND SUPPLEMENTAL DATA

For the Periods Ended	**June 30, 2013**	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Total Net Asset Value ($ 000's)	**$97,803**	$106,625	$158,615	$184,670	$236,760	$10,211
Number of Units Outstanding (000's)	**22,497**	23,485	29,912	32,163	42,128	1,903
Management Expense Ratio (1)	**16.78%**	2.28%	2.64%	2.08%	3.35%	4.28%
Portfolio Turnover Ratio (2)	**40.20%**	38.33%	6.44%	48.91%	184.36%	41.11%
Trading Expense Ratio (3)	**0.01%**	0.03%	0.02%	0.08%	0.39%	0.04%
Closing Market Price	**$3.80**	$4.02	$3.88	$5.21	$5.15	$3.97

(1) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of weekly average net assets during the period.
(2) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in a year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and proceeds from sales of portfolio securities for the period excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.
(3) The trading expense ratio represents total commissions expressed as an annualized percentage of weekly average net assets during the period.

MANAGEMENT FEES

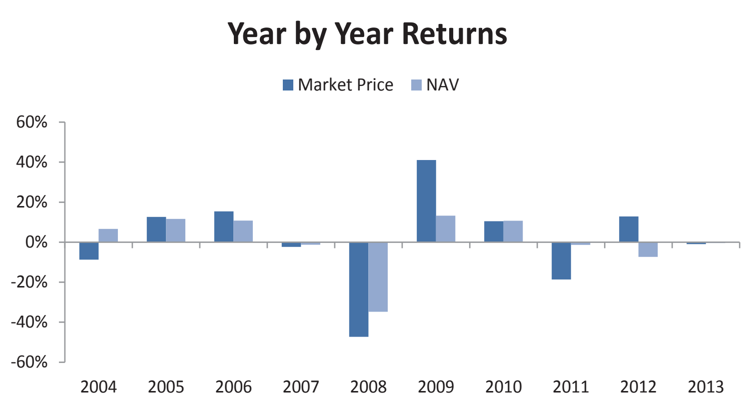
The manager is entitled to receive a management fee of 1.00% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. The portfolio advisor receives a fee of 0.33% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly, in exchange for providing investment management services.

PAST PERFORMANCE

The Fund's performance numbers represent the annual compound total returns over the period from inception in June 2004 to June 30, 2013 (except for returns of less than one year which are compounded total returns). Total returns are based upon both the Fund's change in market price and net assets per Unit plus the reinvestment of all distributions in additional Units of the Fund.

Returns do not take into account sales, redemptions, or income taxes payable that would have reduced returns. Past performance of the fund does not necessarily indicate how it will perform in the future.

The total return of the NAV per Unit of the Fund for the interim period from January 1, 2013 to June 30 2013 was negative 0.44%. The total return of the market price per Unit of the Fund for the same interim period was negative 1.00%.



(1) For 2013, the figure represents the year-to-date return as at June 30, 2013.
(2) For 2012, the figure represents the year-to-date return, unadjusted for the exercise of warrants.
(3) For 2011 and prior years, this represents the annual return, unadjusted for the exercise of warrants, for the twelve-month period ended December 31.

MANAGEMENT REPORT OF FUND PERFORMANCE

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30th, 2013

The major portfolio categories and top holdings of the Fund at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates are available at www.artemisfunds.ca.

Portfolio by Sector & Asset Class	**% of Total Net Assets**
Canadian Equities:	
Pipeline/Energy Investments	15.2%
Financial Services	21.2%
Consumer Goods & Services	7.3%
Telecommunications	11.5%
Oil & Gas Corporations	4.9%
Materials	5.6%
Ongoing Business Trusts	1.1%
Total Canadian Equities	66.8%
Canadian Bonds	6.1%
U.S. Bonds	0.4%
Foreign Equities (U.S., U.K., France)	23.7%
Other Assets, Net of Liabilities	3.0%
Total net Assets	100.0%

TOP 25 HOLDINGS

As at June 30th, 2013

Toronto-Dominion Bank	5.14%
Royal Bank of Canada	4.88%
Bank of Nova Scotia	4.23%
Canadian Imperial Bank of Commerce	3.05%
Potash Corp.	3.03%
Other Assets, Net of Liabilities	2.98%
Thomson Reuters Corp.	2.60%
Canadian Imperial Bank of Commerce Bond	2.53%
Canadian National Railway Co.	2.27%
Manulife Financial Corp.	2.11%
HSBC Holdings PLC, ADR	2.06%
Johnson & Johnson	2.06%
Shoppers Drug Mart Corp.	2.03%
Walgreen Co.	2.03%
Canadian Natural Resources Ltd.	2.03%
BCE Inc.	2.01%
Pepsico Inc.	1.97%
Pfizer Inc.	1.91%
TransCanada Corp.	1.79%
ARC Resources Ltd.	1.77%
Great-West Lifeco Inc.	1.75%
Enbridge Inc.	1.72%
Cenovus Energy Inc.	1.69%
Rogers Communications Inc.	1.66%
Inter Pipeline Fund	1.66%
Total Net Assets	60.93%

MANAGEMENT REPORT OF FUND PERFORMANCE

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent the Manager's or Portfolio Advisor's expectations regarding future events. By their nature, forward-looking statements must be based on assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this document are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Actual results may differ materially from the Manager's or Portfolio Advisor's expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, foreign exchange rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's prospectus, Annual Information Form and other investor documentation. The foregoing list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, neither the Fund nor the Manager undertakes, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Financial Statements
(Expressed in Canadian dollars)

CITADEL INCOME FUND

For the six month period ended June 30, 2013
(unaudited)

Artemis
Investment Management

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim financial statements of Citadel Income Fund (the "Fund") have been prepared by Artemis Investment Management Limited ("Artemis"). Artemis is responsible for the information and representations contained in these financial statements and the other sections of the semi-annual report.

Artemis maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The auditors of the Fund have not reviewed these financial statements.

Artemis, the Manager and Trustee of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

August 29, 2013

(signed)
Conor Bill
Chief Executive Officer

(signed)
Trevor Maunder
Chief Financial Officer

STATEMENTS OF NET ASSETS

As at June 30th, 2013 (unaudited) and December 31st, 2012

	June 30, 2013	December 31, 2012
Assets		
Investments, at Fair Value	$ 94,887,867	$ 104,269,121
Cash and Cash Equivalents	6,927,814	2,813,182
Receivable for Investments Sold	1,242,846	494,606
Dividends and Interest Receivable	475,079	163,758
Prepaid Expenses	1,112	-
Other Receivables	368,209	-
	103,902,927	107, 740,667
Liabilities		
Payable for Investments Purchased	5,019,806	-
Distributions Payable	674,924	704,549
Management Fees Payable	232,964	90,846
Accounts Payable and Accrued Liabilities (Note 9)	172,528	320,015
	6,100,222	1,115,410
Net Assets Representing Unitholders' Equity	$ 97,802,705	$ 106,625,257
Units Outstanding (Note 7)	22,497,482	23,484,986
Net Assets per Unit (Note 4)	$ 4.35	$ 4.54

See accompanying notes to the financial statements.

On behalf of the Board,

(signed)

Conor Bill
Chief Executive Officer

(signed)

Trevor Maunder
Chief Financial Officer

STATEMENTS OF OPERATIONS

For the six month periods ended June 30, 2013 and 2012 (Unaudited)

	June 30, 2013	June 30, 2012
Investment Income		
Dividend Income	$ 1,527,574	$ 3,145,665
Interest Income	235,839	573,903
Security Lending Income	4,394	-
Total Investment Income	1,767,807	3,719,568
Expenses		
Management Fees (Note 9)	480,053	1,084,806
Legal Fees	-	573,773
Investment Management Fees (Note 10)	266,364	356,117
Administrative Expenses (Note 9)	7,179,497	277,011
Regulatory and Listing Expenses	59,285	64,333
Unitholder Servicing Expenses	79,986	64,149
Insurance Expense	39,808	47,841
Custody, Valuation and Transfer Fees	54,575	40,326
Audit and Review Fees	21,895	32,307
Independent Review Committee Fees	44,979	31,898
Portfolio Transaction Costs	5,283	31,591
Income Tax Expense	-	27,056
Total Expenses	8,231,725	2,631,208
Net Investment Income (Loss)	(6,463,918)	1,088,360
Net Realized Gain (Loss) on Sale of Investments (Note 6)	2,507,781	1,096,492
Net Realized Gain (Loss) on Sale of Foreign Currency	10,577	52,286
Change in Unrealized Appreciation (Depreciation) in Value of Investments (Note 6)	3,460,858	(5,193,829)
Change in Unrealized Appreciation in Value of Currency (Note 6)	14,541	-
Increase (Decrease) in Net Assets from Operations	($ 470,161)	($ 2,956,691)
Increase (Decrease) in Net Assets from Operations Per Unit[1]	($ 0.02)	($ 0.06)

[1] Based on the weighted average number of units outstanding during the period.

See accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the six month period ended June 30th, 2013 (Unaudited)

	June 30, 2013	June 30, 2012
Net Assets, Beginning of Period	$ 106,625,257	$ 158,615,364
Operations		
Net Investment Income (Loss)	(6,463,918)	1,088,360
Net Realized Gain (Loss) on Sale of Investments	2,507,781	1,096,492
Net Realized Gain (Loss) on Foreign Currency	10,577	52,286
Change in Unrealized Appreciation (Depreciation) in Value of Investments	3,460,858	(5,193,829)
Change in Unrealized Appreciation in Value of Currency	14,541	-
	(470,161)	(2,956,691)
Capital Unit Transactions (Note 3)		
Proceeds from Exercise of Warrants	-	90,552,341
Proceeds from Distribution Reinvestment Plan	68,709	62,411
Paid for Units Redeemed	(4,372,843)	(36,475,705)
	(4,304,134)	54,139,047
Distributions to Unitholders		
Return to Unitholders	(4,048,257)	(7,591,599)
Increase (Decrease) in Net Assets for the Period	(8,822,552)	43,590,757
Net Assets - End of Period	$ 97,802,705	$ 202,206,121
Distributions per Unit	$ 0.18	$ 0.18

See accompanying notes to the financial statements.

STATEMENT OF INVESTMENTS

As at June 30th, 2013 (Unaudited)

	Coupon	Maturity	Number of Shares / Par Value ($)	Cost	Fair Value	% of Net Assets
Canadian Bonds						
Bell Canada	4.400%	03/16/2018	250,000	$ 249,790	$ 265,137	
Bell Canada	4.950%	05/19/2021	141,000	140,484	151,688	
Canadian Imperial Bank of Commerce	1.750%	06/01/2016	2,500,000	2,471,500	2,469,600	
Enbridge Inc.	4.770%	09/02/2019	150,000	154,131	163,706	
Intact Financial Corp.	4.700%	08/18/2021	457,000	475,103	490,992	
Pembina Pipeline Corp.	4.890%	03/29/2021	425,000	441,040	459,225	
Quebecor Media Inc.	7.375%	01/15/2021	200,000	200,000	215,250	
Rogers Communications Inc.	4.700%	09/29/2020	445,000	444,755	471,860	
Royal Bank of Canada	2.980%	05/07/2019	130,000	132,295	129,962	
Shaw Communications Inc.	5.650%	10/01/2019	350,000	362,625	388,297	
TELUS Corporation	5.050%	12/04/2019	350,000	356,015	383,352	
TransCanada PipeLines Ltd.	3.650%	11/15/2021	350,000	359,719	356,795	
Total Canadian Bonds				5,787,457	5,945,864	6.1
Canadian Equities						
Oil and Gas Corporations						
ARC Resources Ltd.			62,712	1,310,881	1,726,461	
Bonavista Energy Corp.			77,856	1,557,001	1,061,177	
Canadian Natural Resources Ltd.			66,895	2,538,939	1,983,437	
				5,406,821	4,771,075	4.9
Integrated Financial Services						
Power Financial Corp.			34,075	1,012,455	1,036,562	1.1
Pipeline / Energy Investments						
Cenovus Energy Inc.			54,945	1,567,485	1,648,350	
Enbridge Inc.			38,085	954,992	1,679,929	
EnCana Corp.			78,270	2,175,960	1,391,641	
Inter Pipeline Fund			74,960	1,037,293	1,622,134	
Keyera Corp.			27,400	753,880	1,549,744	
Pembina Pipeline Corp.			41,665	815,910	1,340,780	
Suncor Energy Inc.			40,435	1,369,106	1,253,485	
Talisman Energy Inc.			134,200	1,969,623	1,610,400	
TransCanada Corp.			38,609	1,424,525	1,747,443	
Uranium Participation Corp.			203,600	1,034,288	1,020,036	
				13,103,062	14,863,942	15.2

STATEMENT OF INVESTMENTS

As at June 30th, 2013 (Unaudited)

	Coupon	Maturity	Number of Shares / Par Value ($)	Cost	Fair Value	% of Net Assets
Materials						
Barrick Gold Corp.			40,000	710,382	661,600	
Cameco Corp.			33,130	796,983	719,252	
Goldcorp Inc.			15,000	402,450	389,400	
Potash Corp.			73,835	2,905,412	2,960,784	
Teck Resources Ltd.			35,000	779,720	785,750	
				5,594,947	5,516,786	5.6
Telecommunications						
BCE Inc.			45,550	1,798,495	1,964,116	
Cogeco Cable Inc.			28,715	1,020,908	1,283,848	
Corus Entertainment Inc.			58,000	1,115,332	1,396,640	
Rogers Communications Inc.			39,470	1,398,179	1,625,375	
Shaw Communications Inc.			56,480	1,191,049	1,424,990	
TELUS Corp.			33,920	958,334	1,041,344	
Thomson Reuters Corp.			74,220	2,415,158	2,541,293	
				9,897,455	11,277,606	11.5
Financial Services						
Bank of Nova Scotia			73,590	$ 3,732,162	$ 4,137,230	
Canadian Imperial Bank of Commerce			40,000	3,069,388	2,985,600	
Great-West Lifeco Inc.			59,920	1,546,295	1,707,121	
Manulife Financial Corp.			122,528	2,217,639	2,062,146	
Royal Bank of Canada			77,850	4,352,592	4,770,648	
Toronto-Dominion Bank			59,500	4,143,244	5,024,775	
				19,061,320	20,687,520	21.2
Consumer Goods & Services						
Canadian National Railway Co.			21,715	1,482,878	2,219,490	
George Weston Ltd.			11,915	782,884	996,451	
Metro Inc.			10,000	513,682	704,800	
Shoppers Drug Mart Corp.			41,100	1,652,925	1,989,651	
Tim Hortons Inc.			21,000	823,564	1,194,480	
				5,255,933	7,104,872	7.3
Total Canadian Equities				59,331,993	65,258,363	66.8
Total Canadian Bonds and Equities				65,119,450	71,204,227	72.9
International Bonds						
Molson Coors International LP	3.950%	10/06/2017	400,000	398,740	410,243	0.4
Total International Bonds				398,740	410,243	0.4

STATEMENT OF INVESTMENTS

As at June 30th, 2013 (Unaudited)

	Coupon	Maturity	Number of Shares / Par Value ($)	Cost	Fair Value	% of Net Assets
International Equities						
HSBC Holdings PLC, ADR			36,880	1,926,351	2,018,866	
National Grid PLC, ADR			26,535	1,373,954	1,586,373	
Royal Dutch Shell PLC, ADR			22,740	1,638,811	1,531,257	
Total SA, ADR			27,130	1,390,346	1,392,119	
Vodafone Group PLC, ADR			48,960	1,177,995	1,483,918	
				7,507,457	8,012,533	
						8.2
U.S. Equities						
Automatic Data Processing Inc.			17,000	777,313	1,234,590	
Colgate-Palmolive Co.			24,710	1,000,492	1,488,997	
Emerson Electric Co.			27,000	1,231,421	1,552,078	
Johnson & Johnson			22,200	1,467,301	2,010,836	
Peabody Energy Corp.			20,000	415,083	308,890	
Pepsico Inc.			22,340	1,430,670	1,927,597	
Pfizer Inc.			63,075	1,174,777	1,866,479	
Philip Morris International Inc.			15,265	778,645	1,393,949	
Procter & Gamble Co.			18,380	1,171,156	1,492,838	
Walgreen Co.			42,610	1,417,350	1,984,610	
				10,864,208	15,260,864	15.5
Total International Equities				18,371,665	23,273,397	23.7
Total International Bonds and Equities				18,770,405	23,683,640	24.1
Transaction Costs				(4,750)	-	-
Total Investments				83,885,105	94,887,867	97.0
Other Assets, Net of Liabilities					2,914,838	3.0
Total Net Assets					$97,802,705	100.0

NOTES TO FINANCIAL STATEMENTS

June 30th, 2013 (unaudited)

1. THE FUND

Establishment of the Fund

Citadel Income Fund (the "Fund) is the name of the combined fund resulting from the merger on December 2, 2009 of Crown Hill Fund ("CHF") with Citadel Premium Income Fund ("Premium"), Citadel HYTES Fund ("Hytes"), Citadel S-1 Income Trust Fund ("Citadel S-1"), Citadel Stable S-1 Income Fund ("Stable") and Equal Weight Plus Fund ("Equal Weight") (collectively the "Previous Citadel Funds"). The Fund acquired the investment portfolios and other assets of the Previous Citadel Funds on December 2, 2009, but did not assume any liabilities of the Previous Citadel Funds. Since the merger was an acquisition, it was done on a taxable basis. The Previous Citadel Funds' unitholders received the following number of Units of the Fund for each unit held prior to the merger: Premium unitholders received 1.1581 units; Hytes unitholders received 1.7545 units; Citadel S-1 unitholders received 1.8629 units; Stable unitholders received 1.0765 units; and Equal Weight unitholders received 0.8028 units.

On January 23, 2009, CHF merged with Fairway Diversified Income and Growth Trust ("Fairway"). CHF was the acquirer fund given the continuation of CHF's investment objectives and ongoing management of CHF. All of the assets of Fairway were transferred to CHF in exchange for units of CHF and the assumption by CHF of all of the liabilities of Fairway. The Fairway unitholders then received 1.30587 units of CHF for each Fairway unit held. The merger was done on a tax-free basis.

CHF was the name of the combined fund resulting from the merger of Crown Hill Dividend Fund ("CHDF") and MACCs Sustainable Yield Trust ("MACCs") on December 29, 2008. CHDF was deemed to be the acquirer fund given the continuation of the CHDF investment objectives and ongoing management of the Fund. The merger was recorded as a reverse acquisition, since MACCs was the continuing fund. All of the assets of CHDF were transferred to MACCs in exchange for units of MACCs and the assumption by MACCs of all of the liabilities of CHDF. The CHDF unitholders then received 1.1742 units of MACCs for each CHDF unit held. The merger was done on a taxfree basis.

On January 15, 2013, Crown Hill announced that it had tendered its resignation as manager. Such resignation was effective upon the appointment of Artemis Investment Management Limited ("Artemis") as the new manager of the Fund, which subsequently took place on January 16, 2013.

Change in Manager

A termination payment of $5.35 million was paid to Crown Hill. In addition, expenses totaling $0.84 million were paid to Crown Hill.

1. THE FUND (CONTINUED)

Change in Portfolio Advisor

On February 22, 2013, the Fund announced the appointment of Vestcap Investment Management Inc. as portfolio advisor ("Portfolio Advisor") of the Fund effective April 25, 2013, replacing Jarislowsky Fraser Limited. Founded in 1988, Vestcap is a Toronto-based portfolio management firm whose principals have extensive experience in managing both equity and fixed income portfolios.

Predecessor Funds

CHDF was an investment trust established under the laws of the Province of Ontario on May 19, 2004. On May 31, 2004, CHDF completed an initial public offering of 2,500,000 units at $10 per unit. Subsequently an option granted to the agents was exercised for 193,473 units at $10 per unit. CHDF's units were listed on the TSX under the symbol PBK.UN. CHDF began operations on May 31, 2004 when it completed its initial public offering. The manager of CHDF was Crown Hill. Effective June 24, 2005, the name of CHDF changed from Profit Booking Blue Chip Trust to Crown Hill Dividend Fund.

MACCs was an investment fund established under the laws of the Province of Ontario on January 28, 2005. On February 18, 2005, MACCs completed an initial public offering of 3,250,000 units at $10 per unit. Subsequently an option granted to the agents was exercised for 280,000 units at $10 per unit. The units were listed on the TSX under the symbol MYT.UN. MACCs began operations on February 18, 2005 when it completed its initial public offering. The manager of MACCs was MACCs Administrator Inc. On February 1, 2008, Crown Hill became the manager of MACCs.

Fairway was an investment fund established under the laws of the Province of Ontario on February 26, 2004. The units were listed on the TSX under the ticker symbol FDT.UN. On June 29, 2007, Fairway merged with Fairway Investment Grade Income Fund and Global Preferred Securities Trust. On January 20, 2009, Crown Hill became the manager of Fairway.

Premium was a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of June 6, 2006 and amended and restated July 13, 2006. Premium commenced operations on July 20, 2006, when it completed a merger of three Citadel Funds – MYDAS Fund, Citadel Multi-Sector Income Fund and Citadel Income & Growth Income Fund ("MMI&G Merging Funds").

1. THE FUND (CONTINUED)

Effective the close of business on July 19, 2006, MMI&G Merging Funds were merged into a new fund, Premium, with unitholders of the MMI&G Merging Funds receiving units of Premium on a relative net asset value basis. The merger was recorded using the purchase method of accounting for business combinations with Premium issuing 61,000,000 units in exchange for the net assets of each of the MMI&G Merging Funds on July 19, 2006.

Hytes was a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of February 27, 2001. Hytes commenced operations upon completion of its initial public offering on April 11, 2001.

Citadel S-1 was a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of August 11, 2000. Citadel S-1 commenced operations upon completion of its initial public offering on October 6, 2000.

Stable was a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of December 6, 2004. Stable commenced operations upon completion of its initial public offering on February 15, 2005.

Equal Weight was a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of December 22, 2005 and amended and restated January 23, 2006. Equal Weight commenced operations upon completion of its initial public offering on February 28, 2006.

2. INVESTMENT OBJECTIVES OF THE FUND

Citadel Income Fund's investment objectives are to provide holders of its Units ("Unitholders") with a stable stream of monthly distributions and to preserve and potentially enhance the net asset value of the Fund. The Portfolio Advisor seeks to achieve these objectives by investing in a diversified portfolio of securities with a focus on income generation consisting of: (i) equity securities, of principally larger capitalization companies traded on a recognized stock exchange; (ii) debt securities with a focus on yield enhancement, with a minimum of 80% of debt security investments in investment grade debt rated BBB or higher; and (iii) income funds, each of which has, at the date of investment by the Fund, a market capitalization, excluding control positions, of $400 million.

3. INCOME TAXES

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada) and is subject to applicable federal and provincial taxes on the amount of net income for tax purposes for the year, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to Unitholders in the year. No provision for income taxes has been recorded in the accompanying financial statements as all income is distributed to Unitholders.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

(a) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and short-term bankers' acceptances with maturities of less than 90 days on acquisition.

(b) Valuation of Investments

Securities listed on a recognized public stock exchange are valued at their bid price on the valuation date. The fair value of financial assets and liabilities that are not traded in an active market (for example: non-traded investments) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement date. Valuation techniques used include the use of comparable recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants making the maximum use of market inputs. Certain financial assets and liabilities may be estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Assumptions used in these techniques may include the costs paid for the security, recent news reports about the issuer and general market indicators. Their fair value may be determined using valuation models that have been tested against the prices of actual market transactions and using management's best estimate of the most appropriate model inputs. These are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit spread and limitations in the models.

Short-term notes, treasury bills and bonds are valued at the average bid quotations from recognized investment dealers.

The Manager has reviewed its policies over the valuation of assets and liabilities and believes that the fair value ascribed to the financial assets and financial liabilities in these financial statements incorporates appropriate levels of credit risk.

(c) Investment Transactions and Income Recognition

i. Investment transactions are accounted for on the trade date.
ii. Interest income and expenses are recorded on the accrual basis.
iii. Dividend income is recorded on the ex-dividend date.
iv. Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated using the average cost of the related investments.

(d) Foreign Currency Translation

The fair value of investments and other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rates prevailing on each valuation date. Purchases and sales of investments, income and expenses are translated into Canadian dollars at the foreign exchange rates prevailing on the respective dates of such transactions.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Distributions
Distributions to unitholders are recorded by the Fund when declared.

(f) Transaction Costs
Transaction costs are expensed as incurred.

(g) Application of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855
For the purpose of preparing its financial statements, the Fund values its investments pursuant to Section 3855 of the CICA Handbook as outlined above in Note 4(b); the resulting net assets balance is referred to as "Net Assets". For all other purposes, including the processing of unitholder transactions, the value of the Fund's investments that trade in an active market continue to be determined using the last traded price; the resulting net assets balance is referred to as "Transactional Net Assets". On each valuation date, the Transactional Net Assets per unit is computed by dividing the Transactional Net Assets of the Fund by the total number of its units outstanding. A reconciliation of Transactional Net Assets to Net Assets follows:

As at June 30, 2013	Net Assets	Net Assets per Unit
Transactional Net Assets	$ 97,876,362	$ 4.35
Difference as a Result of Section 3855	(73,657)	-
Net Assets	$ 97,802,705	$ 4.35

As at December 31, 2012	Net Assets	Net Assets Per Unit
Transactional Net Assets	$ 106,811,791	$ 4.55
Difference as a Result of Section 3855	(186,534)	(0.01)
Net Assets	$ 106,625,257	$ 4.54

(h) Securities Lending
The Fund may lend portfolio securities in order to earn additional revenue. The minimum allowable collateral is 102% of the current value of the loaned securities as per the requirements of National Instrument 81-102.

The market value of the loaned securities is determined on the close of any valuation date, and any additional required collateral is made by the Fund on the next business day. The securities on loan continue to be included on the Statements of Investments and are included in the total value on the Statements of Net Assets in Investments at fair value.

As at June 30, 2013, the Fund had an aggregate value of securities on loan of $1,242,846 (year ended December 31, 2012 - $12,203,811) and corresponding aggregate value of collateral for loan of $5,019,806 (year ended December 31, 2012 - $12,876,704).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Future Accounting Changes
The Fund is currently required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning January 1, 2014 and issue its first financial statements, prepared in accordance with IFRS, for the semi-annual period ending June 30, 2014. The 2014 semiannual and annual financial statements will include 2013 comparative financial information and an opening statement of net assets as at January 1, 2013, also prepared in accordance with IFRS.

The Manager has begun to develop a transition plan to changeover to IFRS. Currently, the expected affect to the financial statements based on the Manager's assessment of the differences between current Canadian GAAP and IFRS are as follows: i) IFRS 13 Fair Value Measurement permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, net assets for financial reporting purposes may be impacted and could align with the transactional net assets used to price unitholder transactions, eliminating the need for a reconciliation; ii) Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. As a result, unitholders' equity may be required to be presented as a liability in the statement of net assets with related distributions presented as an expense in the statement of operations. Alternatively, equity presentation would require additional disclosure of the components of equity; iii) IFRS requires the presentation of a statement of cash flows, including comparatives for 2013; iv) Other reclassifications, presentation differences and additional disclosures will also be required in the financial statements to comply with the new requirements under IFRS.

5. LOAN RECEIVABLE

On June 3, 2009, the Fund invested $28,000,000 in CH Fund Administration LP which used the proceeds to acquire a beneficial interest in the administrative contracts for various funds in the Citadel Group of Funds.

On December 2, 2009, five of the funds in the Citadel Group of Funds merged with the Fund (see Note 1). On December 18, 2009, the Fund received a promissory note (the "Note") from Crown Hill in the amount of $9,955,000. On November 19, 2010, $213,904 was added to the outstanding balance on the Note and bore interest on all outstanding amounts equal to prime plus 2% per annum.

In 2011, the outstanding balance on the Note was reduced by $4,077,239, and $218,176 in interest was received during the year. As of December 31, 2011, the undiscounted loan balance on the Note was $2,275,175.

For the year ended December 31, 2012, the principal on the Note was reduced by $2,275,175 and interest payments of $27,304 were received. On May 1, 2012, the outstanding balance on the Note was nil, and it was discharged.

6. INVESTMENT PORTFOLIO

The following tables summarize movements in investments during the six month periods ended June 30, 2013 and 2012:

7. UNITS ISSUED AND OUTSTANDING

As at June 30, 2013	**2013**	**2012**
Proceeds of Investments Sold	$ 32,648,878	$ 8,191,148
Cost of Investments Sold:		
Investments at Cost	96,725,845	146,322,424
Investments Purchased During the Period	17,300,357	57,274,731
Investments at Cost, end of the Period	(83,885,105)	(196,502,499)
Cost of Investments Disposed of During the Period	30,141,097	7,094,656
Net Realized Gain on Sale of Investments	$ 2,507,781	$ 1,096,492

The net in unrealized appreciation (depreciation) of investments was determined as follows:

As at June 30, 2013	**2013**	**2012**
Investments at Fair Value, End of Period	$ 94,887,867	$ 198,326,380
Investments at Cost, End of Period	83,885,105	196,502,499
Unrealized Appreciation (Depreciation) of Investments, End of Period	11,002,762	1,823,881
Unrealized Appreciation of Investments, Beginning of Period	7,541,904	7,017,710
Net Change in Unrealized Appreciation (Depreciation) of Investments	$ 3,460,858	($ 5,193,829)

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. Unitholders are entitled to retract their Units outstanding on the last business day of each month at an amount equal to (a) the lesser of: (i) 90% of the weighted average trading price of a unit on the TSX during the preceding 15 trading days and (ii) the closing market price on the TSX on that day, less (b) any retraction costs. As well, the Board of Directors of the Trustee may set a date on which Units will be retracted at the Transactional Net Assets per Unit (see Note 4(g)) less any retraction costs.

7. UNITS ISSUED AND OUTSTANDING (CONTINUED)

The following unit transactions took place during the periods ended June 30, 2013 and December 31, 2012:

Units Issued and Outstanding

For the Periods Ended	June 30, 2013	December 31, 2012
Trust Units, Beginning of Period	**23,484,986**	29,912,208
Issued under DRIP	**17,303**	4,284
Warrants Exercised	-	23,218,549
Units Repurchased or Canceled	-	(3,253,300)
Units Redeemed	**(1,004,807)**	(26,426,755)
Trust Units, End of Period	**22,497,482**	23,484,986

Warrants Issued and Outstanding

For the Periods Ended	June 30, 2013	December 31, 2012
Warrants Outstanding, Beginning of Period	-	27,623,999
Warrants Issued During the Period	-	-
Warrants Exercised During the Period	-	(23,218,549)
Warrants Expired During the Period	-	(4,405,450)
Warrants Outstanding, End of Period	-	-

Each Unitholder of record on October 7, 2011 received one warrant for each Unit held. A total of 28,997,019 warrants were issued. Each warrant entitled the Unitholder to purchase a new unit upon payment of the subscription price of $4.00. Warrants could be exercised at any time before the earlier of i) March 8, 2012, or ii) such date which was 20 business days from the date the embedded call feature in the warrants was exercised by the Fund in accordance with the terms of the warrant offering. On March 9, 2012, upon completion of the warrant offering, a total of 24,591,569 warrants were exercised for net proceeds of $95,907,119 in 2012 and 2011 combined, after expenses totaling $2,459,157.

For the period January 1, 2012 to December 31, 2012, the Fund repurchased 3,253,300 Units for cancellation at an average cost of $4.71 per Unit under the normal course issuer bid (Note 13).

Through the monthly redemption feature offered during 2012, 96,091 Units were redeemed for a total cost of $337,277. Through the partial redemption feature offered in March 2012 (Note 13), 5,000,000 Units were redeemed for a total cost of $23,699,671. Through the special redemption feature offered in August 2012, 21,330,664 Units were redeemed for a total cost of $96,992,273.

7. UNITS ISSUED AND OUTSTANDING (CONTINUED)

Through the monthly redemption feature offered during 2013 as at June 30, 2,807 Units had been redeemed for a total cost of $9,995. Through the special redemption feature offered December 18, 2012, 1,000,000 Units were redeemed for a total cost of $4,355,000.

Unitholders are also entitled to retract their Units outstanding on the second last business day of each November (the "Annual Redemption Date") at an amount equal to 100% of the net asset value per trust Unit determined as of the Annual Redemption Date less any retraction costs.

8. UNITHOLDERS' EQUITY

Unitholders' equity is comprised of unitholders' capital and retained earnings (deficit). The changes in Unitholders' capital and retained earnings (deficit) during the during the periods ended June 30, 2013 and December 31, 2012:

9. RELATED PARTY TRANSACTIONS

For the Periods Ended	**June 30, 2013**	**June 30, 2012**
Unitholders' Capital, Beginning of Period	$ 115,816,508	$ 161,498,090
Redemption of Units	(4,372,843)	(36,475,705)
Subscription of Units	68,709	90,614,752
Unitholders' Capital, End of Period	$ 111,512,374	$ 215,637,137

For the Periods Ended	**June 30, 2013**	**June 30, 2012**
Retained Earnings (Deficit) - Beginning of Period	($ 9,191,251)	($ 2,882,726)
Results from operations for the Period	(470,161)	(2,956,691)
Distributions to Unitholders	(4,048,257)	(7,591,599)
Retained Earnings (Deficit), End of Period	($ 13,709,669)	($ 13,431,016)

For the Periods Ended	**June 30, 2013**	**June 30, 2012**
Unitholders' Equity, Beginning of Period	$ 111,512,374	$ 215,637,137
Retained Earnings (Deficit), End of Period	(13,709,669)	(13,431,016)
Unitholders' Equity, End of Period	$97,802,705	$ 202,206,121

The Fund is responsible for all expenses incurred. Prior to Artemis becoming the Manager, all expenses of the Fund were initially paid by the manager, who was then reimbursed by the Fund. Artemis generally has all expenses incurred by the Fund paid directly by the Fund.

The manager is entitled to receive a management fee of 1.00% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the six month period ended June 30, 2013, management fees totaled $480,053 (June 30, 2012 - $1,084,806), of which $136,007 was payable as at June 30, 2013 (June 30, 2012 - $164,841).

Legal expenses for the period ended June 30, 2013 were nil compared to $573,773 for the period ended June 30, 2012. The amount for the period ended June 30, 2012 included $395,420 in legal fees incurred on behalf of the manager and a director of the manager in accordance with an indemnification provision contained in the Declaration of Trust.

Administrative Expenses for the six months ended June 30, 2013 totaled $7,178,872 (six months ended June 30, 2012 - $249,165). As part of these expenses, the Fund is paying a general overhead cost to Artemis Investment Management Inc. Artemis Investment Management Inc. received $35,000 per month plus applicable taxes for the first half of 2013 (2012 - $35,000 per month) to cover related administrative salaries, employee benefits, general overhead, and office supplies. In addition to recurring administrative expenses of the Fund, certain non-recurring expenses in the period were a result of Crown Hill announcing its resignation as trustee and manager of the Fund as of January 15, 2013.

For repurchases or redemptions made subsequent to the amended and restated Declaration of Trust as of August 9, 2012, the manager is entitled to receive a fee per unit of 5% of the net asset value per unit plus applicable taxes. For the year ended December 31, 2012, redemption fees totaled $5,651,317 of which $45,482 was payable as at December 31, 2012.

10. INVESTMENT MANAGEMENT FEES

The portfolio advisor of the Fund and is entitled to a fee of 0.33% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the six months ended June 30, 2013, such fees totaled $266,364 (June 30, 2012 - $356,117).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's investment activities expose it to various types of risk associated with the financial instruments in which it invests. In addition to the risks of investing in the equity markets generally, the Fund is also subject to other risks, including interest rate risk, currency risk, credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in being invested in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a weekly basis and positions are maintained within established ranges.

The most significant exposure to market risk is from equity securities. As at June 30, 2013, had the prices on the respective stock exchanges for these securities raised (lowered) by 5%, with all other variables held constant, net assets would have increased (decreased) by approximately $4,744,393 (approximately 4.85% of net assets) (June 30, 2012- $9,916,500; approximately 4.90% of net assets). In practice, the actual results may differ and the difference could be material.

Foreign Currency Risk

Foreign currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Statements of Investments identifies all investments denominated in foreign currencies. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value.

The Fund invests approximately 25.2% (December 31, 2012 – 12.6%) of the investment portfolio in U.S. currency. At June 30, 2013, if the Canadian dollar had strengthened (weakened) by 5%, with all other variables held constant, net assets would have increased (decreased) by approximately $1,232,670 (approximately 1.3% of net assets) (December 31, 2012 - $671,000; approximately 0.6% of the investment portfolio). In practice, the actual results may differ and the difference could be material.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments.

As at June 30, 2013, the Fund had approximately 90.5% of the investment portfolio in equity securities (December 31, 2012 – 86.3%). Cash and short-term investments earn minimal interest. The Fund also invests in securities which subject the Fund to interest rate risk. As at December 31, 2012, if interest rates increased by 1% with all other variables held constant, the fair value of the securities as shown on the Fund's Statements of Investments would have decreased by approximately $294,285 (December 31, 2012 - $900,498).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial Instruments

CICA Handbook Section 3862 requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows: (i) Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets; (ii) Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; (iii) Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair value of the instruments.

The following tables present, as at June 30, 2013 and December 31, 2012, the level within the fair value hierarchy for each of the financial assets and liabilities measured at fair value:

Credit Risk

Financial Assets Trading				**June 30, 2013**
Investments	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Equities	$ 88,531,760	$-	$-	$ 88,531,760
Bonds	-	6,356,107	-	6,356,107
Total	$ 88,531,760	6,356,107	$ -	$ 94,887,867

Financial Assets Trading				**December 31, 2012**
Investments	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Equities	$ 92,092,777	$-	$-	$ 92,092,777
Bonds	-	12,176,344	-	12,176,344
Total	$ 92,092,777	$ 12,176,344	$-	$ 104,269,121

Credit risk is the risk that an issuer or a counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. All transactions in listed securities are settled (paid for) upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Cash and short-term investments are held by the custodian. As at June 30, 2013, the Fund had a $6,356,107 exposure to credit risk (December 31, 2012 - $12,176,344).

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial obligations. The Fund is exposed to a monthly redemption of units at which time the units of the Fund are redeemed at the current Transactional Net Assets per Unit. Liquidity risk is managed by investing 90.5% of the Fund’s assets in investments that are traded in an active market and can be readily disposed (December 31, 2012 – 86.3%).

The Fund’s liquid investments are considered to be in excess of the redemption requirements. Therefore, as at June 30, 2013, the Fund’s liquidity risk is considered minimal.

12. NORMAL COURSE ISSUER BID PROGRAM (“NCIB Program”)

Effective February 6, 2013, the Fund renewed its NCIB Program to permit the Fund to purchase up to 2,248,541 of the outstanding Units on the TSX from time to time. Under the NCIB Program, the Fund may purchase up to 2,248,541 Units, subject to certain restrictions. Units purchased will be canceled.

13. PARTIAL REDEMPTION

On February 14, 2012, the Fund announced that up to 5,000,000 Units of the Fund could be redeemed on March 29, 2012 for an amount per Unit equal to the net asset value retraction price ("NAV Retraction Price") as of March 23, 2012. The NAV Retraction Price was an amount equal to 100% of the net asset value per Unit less any retraction costs. The retraction costs were 0.85% of the net asset value per Unit. Requests for redemptions were oversubscribed and all 5,000,000 Units were redeemed on a pro rata basis at a price of $4.71 per Unit.

14. BROKERAGE COMMISSIONS AND PORTFOLIO TRANSACTIONS

The brokerage commissions paid for the six months ended June 30, 2013 were $5,283 (December 31, 2012 - $93,724). The commissions were incurred solely for order execution services. The Fund paid $24,360 in soft dollar commissions for the first half of 2013.

15. UNITHOLDER MEETINGS

On July 17, 2012, the Fund issued a management information circular informing Unitholders of a special meeting to take place on August 7, 2012. The purpose of the special meeting was to: i) provide the right for Unitholders to voluntarily elect to receive an unlimited cash redemption of their Units at 100% of the net asset value per Unit less retraction costs including a fee per Unit of 5% of the net asset value per Unit plus applicable taxes paid to the manager; ii) implement a series of minority Unitholder protections including a requirement that ordinary and extraordinary resolutions require affirmative votes of 50% and 66 2/3% of beneficial holders (as defined in the Declaration of Trust) respectively other than beneficial holders who are "Interested Parties" as defined in the extraordinary resolution attached to the management information circular; iii) amend the provisions relating to the termination and replacement of the manager, including a termination fee equal to 5% of net asset value and reasonable expenses upon termination; iv) remove certain provisions which currently allow the trustee of the Fund to make changes to the Declaration of Trust without Unitholder approval; and v) make a number of other amendments to the Declaration of Trust.

15. UNITHOLDER MEETINGS (CONTINUED)

In the special meeting on August 7, 2012, Unitholders voted in favour of the extraordinary resolution. On August 17, 2012, the Fund's special retraction price was determined to be $4.29 per Unit. On August 22, 2012, 21,330,664 Units were redeemed at the Fund's special retraction price. Crown Hill received a payment of $5,483,724 on the special retraction.

On November 26, 2012, the Fund issued a management information circular informing Unitholders of a special meeting to take place on December 18, 2012. The purpose of the special meeting was to: i) seek the approval of Unitholders for the proposed change in manager and trustee from Crown Hill to Artemis; and ii) approve the setting of a special retraction date with respect to a special retraction of an aggregate of up to 1,000,000 Units at 100% of net asset value per Unit on the special retraction date.

In the special meeting on December 18, 2012, Unitholders voted in favour of the extraordinary resolution. On January 18, 2013, the Fund's special retraction price was determined to be $4.355 per Unit. Requests for redemptions were oversubscribed and 1,000,000 Units were redeemed on a pro rata basis.

16. CAPITAL MANAGEMENT

The Fund's capital consists solely of Unitholders' equity. The Fund's Manager maintains the Fund's capital in accordance with its investment objectives, strategies and restrictions as detailed in its Declaration of Trust. As disclosed in Note 8, Unitholders' equity consists of Unitholders' equity (total subscriptions less total redemptions calculated at the original subscription price) and retained earnings (deficit). Pursuant to its Declaration of Trust, the Fund is required to distribute all of its net income and net realized capital gains (as calculated for tax purposes); therefore, retained earnings (deficit) represents unrealized gains or losses on investments plus any cumulative distributions in excess of cumulative income and realized capital gains, adjusted for the difference between the redemption amounts paid out and the applicable original subscription amounts.

17. SUBSEQUENT EVENT

On August 19, 2013, the Fund announced that it had filed a short form prospectus relating to an offering of transferrable warrants (each, a "Warrant") to Unitholders of the Fund. Unitholders of record at the close of business on August 29, 2013, will receive one Warrant for each Unit of the fund held. Warrants will be exercisable between August 29, 2013 and October 17th, at a subscription price of $3.67 for each Unit. A copy of the short form prospectus has been filed on the Fund's SEDAR profile at www.sedar.com.

Artemis

Investment Management

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