Artemis
Investment Management

ENERGY INCOME FUND

SEMI-ANNUAL REPORT

JUNE 30, 2014

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MANAGEMENT REPORT OF FUND PERFORMANCE

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

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 ENI.UN. The Fund's portfolio is managed by Vestcap Investment Management Inc. (the "Portfolio Advisor").

INVESTMENT OBJECTIVES AND STRATEGIES

Energy Income Fund's investment objective is to provide holders of its Units ("Unitholders") with monthly cash distributions and achieve a total return on a portfolio ("Portfolio") of securities (the "Portfolio Securities") that is greater than the total return provided by the benchmark index, as selected by the Manager from time to time. For the year ended December 31, 2011 and subsequent periods, the benchmark index used was the S&P/TSX Capped Energy Index.

The Fund invests its assets in a Portfolio comprised of Portfolio Securities, without reference to any specific issuer or security, among several asset classes including oil and gas securities, energy securities, other resource securities, and cash and short term investments.

RISKS

There are a number of risks associated with an investment in Energy 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 the value of its securities. Diversification and active management by the Fund's Portfolio Advisor of the securities held in the Portfolio may reduce these risks.

There were no changes in the period ended June 30, 2014 that materially affected the risks associated with an investment in Units of the Fund. For a list of risks, see the Fund's annual information form filed March 18, 2014 on the Fund's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS

The NAV of the Fund went from $27.21 million to $32.64 million from January 1, 2014 to June 30, 2014. Total revenue per Unit for the period ended June 30, 2014 was $0.089, compared to $0.102 for the same period in 2013. Operations for the period resulted in an increase in NAV per Unit of $0.924, up from a decrease of $0.446 per Unit for the same period in 2013.

Total administrative expenses for the period ended June 30, 2014 were $0.018 per Unit compared to $0.385 for the same period in 2013. The decrease in total administrative expenses in the period ended June 30, 2014 compared to the same period in 2013 is primarily attributable to certain non-recurring expenses in the comparable period in 2013 that were incurred by the Fund as a result of Crown Hill Capital Corporation ("Crown Hill") resigning as trustee and manager of the Fund. Further information on this can be found in the discussion of "Related Party Transactions." Management fees increased for the period to $0.019 per Unit (2013 - $0.016) due to an increase in the net asset value of the Fund over the period. Investment management fees also increased for the period to $0.0093 per Unit (2013 - $0.0091) due to the increase in the net asset value of the Fund during the period. Excluding the expenses discussed above, all other expenses of the Fund for the period ended June 30, 2014 were $0.028 per Unit (2013 - $0.035).

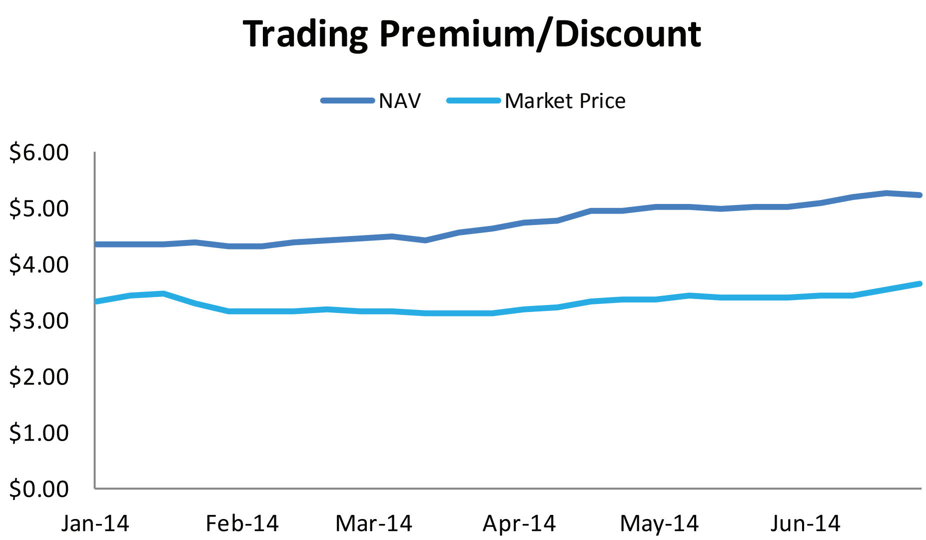
The return of the S&P/TSX Capped Energy Index for the period ended June 30, 2014 was 22.35%. With the rapid appreciation of the Canadian energy sector, as evidenced by the return on the S&P/TSX Capped Energy Index, the Portfolio Advisor reduced positions over the period ended June 30, 2014 to realize gains and maintain a sufficient cash balance to purchase undervalued energy securities if the energy sector experiences a sell-off after a quick rise in value over the first six months of 2014. The overall asset mix for the period ended June 30, 2014 remains relatively the same as that of the comparable period in 2013.

The NAV per Unit increased 19.86% for the period ended June 30, 2014. For the period ended June 30, 2014, the Fund paid total cash distributions of $0.06 per Unit.

There were no unusual trends in redemptions for the period ended June 30, 2014, with no redemptions occurring over the period.

TRADING PREMIUM/DISCOUNT TO NET ASSET VALUE

For the period ended June 30, 2014, the Fund traded at an average discount to its net asset value per unit of 29.62%, compared to an average discount of 13.95% for the same period in 2013.



RECENT DEVELOPMENTS

Monthly Distributions for 2014

On January 22, 2014, the Fund announced distributions for 2014 of $0.01 per Unit per month. Unitholders of record on the last day of each month of 2014 would be paid distributions on the 15th day (or first business day thereafter) of the ensuing month.

A copy of the full news release is available on the Fund's SEDAR profile at www.sedar.com.

Redemptions & Retractions

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 29, 2013 was 6,209,301 Units and 10% of the public float was 620,930 Units. From January 1, 2014 to June 30, 2014, the Fund did not repurchase any Units for cancellation.

RELATED PARTY TRANSACTIONS

The Manager is entitled to a management fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the period ended June 30, 2014, management fees totaled $110,166 (2013 - $97,078), of which $7,068 was payable as at June 30, 2014 (June 30, 2013 - $15,741). The Fund is responsible for all expenses incurred.

The Portfolio Advisor receives a fee of 0.40% 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. For the period ended June 30, 2014, investment management fees totaled $62,954 (2013 - $55,467), of which $11,190 was payable at June 30, 2014 (June 30, 2013 - $9,038).

Administrative Expenses for the period ended June 30, 2014 totaled $114,165 (2013 - $2,348,642). As part of these expenses, the Fund is paying a general overhead cost to Artemis Investment Management Limited. Artemis Investment Management Limited receives $15,000 per month plus applicable taxes 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 2013 period were a result of Crown Hill announcing its resignation as trustee and manager of the Fund as of January 15, 2013. A resignation expense of $1.6 million, plus applicable taxes, was paid to Crown Hill as a result of its resignation as manager of the Fund. In addition, expenses totaling $0.4 million, plus applicable taxes, were paid to Crown Hill.

For redemptions or repurchases made subsequent to the amended and restated Declaration of Trust as of March 7, 2014 (the "Declaration of Trust"), the Manager is entitled to receive a fee per Unit of 5% of the net asset value per Unit plus applicable taxes.

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 for the past five years as applicable.

The Fund's Net Assets per Unit (1)

For the Periods Ended	June 30, 2014	December31, 2013	December31, 2012	December31, 2011	December31, 2010
Net Assets Per Unit, Beginning of Year	**$4.38**	$4.98	$6.35	$6.80	$5.85
Increase (Decrease) From Operations:					
Total Revenue	**0.09**	0.20	0.22	0.33	0.38
Total Expenses	**(0.07)**	(0.53)	(0.19)	(0.23)	(0.31)
Realized Gains (Losses)	**0.08**	0.13	(0.21)	0.18	0.41
Unrealized Gains (Losses)	**0.83**	0.06	(0.44)	(0.19)	1.55
Total Increase (Decrease) From Operations (2)	**$0.93**	($0.15)	($0.62)	$0.09	$2.03
Distributions:					
From Net Investment Income	**0.06**	-	0.03	-	0.06
From Capital Gains	**-**	-	-	-	-
Return of Capital	**-**	0.36	0.33	0.36	0.30
Total Annual Distributions per Unit (3)	**0.06**	0.36	0.36	0.36	0.36
Net Assets per Unit, End of Period	**$5.25**	$4.38	$4.98	$6.35	$6.80

(1) This information is derived from the Fund's audited annual financial statements. The net assets per Unit presented in the financial statements differs from the net asset value per Unit calculated for fund pricing purposes because of the provisions of CPA Handbook Section 3855 prior to the adoption of IFRS in 2014. An explanation of the differences can be found in the notes to the financial statements.
(2) 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.
(3) Distributions were paid in cash.

RATIOS AND SUPPLEMENTAL DATA

For the Periods Ended	June 30, 2014	December31, 2013	December31, 2012	December31, 2011	December31, 2010
Total Net Asset Value ($ 000's) (1)	**$ 32,638**	$ 27,213	$ 32,102	$ 47,339	$ 47,856
Number of Units Outstanding (000's) (1)	**6,214**	6,211	6,449	7,458	7,036
Management Expense Ratio (2)	**3.02%**	11.49%	2.68%	3.01%	4.51%
Trading Expense Ratio (3)	**0.20%**	0.43%	0.98%	0.27%	0.61%
Portfolio Turnover Rate (4)	**16.03%**	70.69%	153.97%	37.68%	111.38%
Net asset value per Unit	**$5.25**	$4.38	$4.98	$6.35	$6.80
Closing Market Price	**$3.64**	$3.34	$4.17	$5.07	$5.66

(1) This information is provided as at the date shown.
(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
(3) The trading expense ratio represents total commissions expressed as an annualized percentage of weekly average net assets during the period.
(4) 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 a fund.

MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT FEES

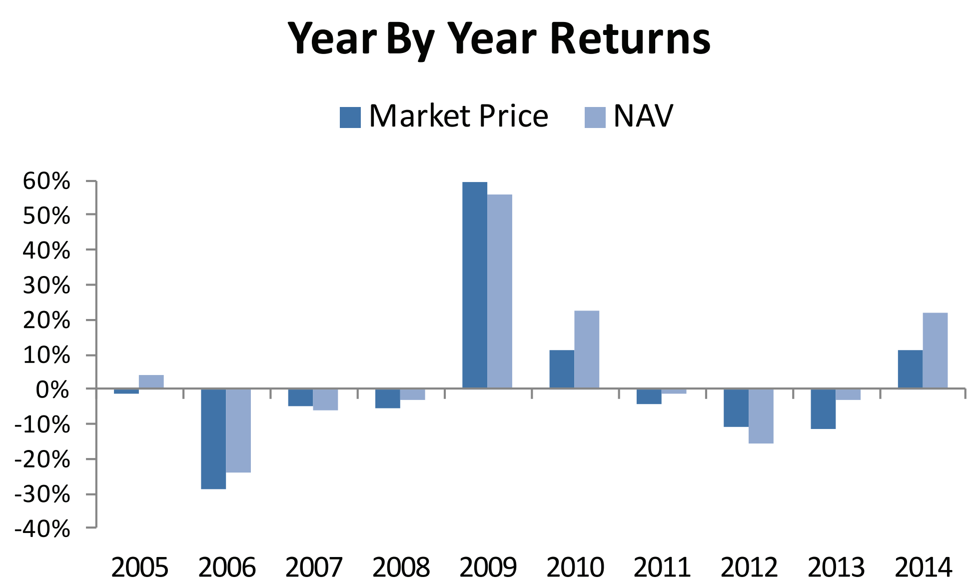
The Manager is entitled to receive a management fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. The Portfolio Advisor receives a fee of 0.40% per annum of the average net asset value of the Fund plus applicable taxes, calculated 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 October 2005 to June 30, 2014 (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 on the reinvestment dates for the year.

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 Fund for the period ended June 30, 2014 was 22.06% measured in terms of its NAV per Unit. The total return of the market price per Unit of the Fund for the period ended June 30, 2014 was 10.98%.



The Fund commenced operations as of October 2005. For 2013 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 30, 2014

Total Net Assets: $32,637,900

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	**% of Total Net Assets**
Canadian Equities	
Oil & Gas Corporations	71.1
Materials	2.2
Total Canadian Equities	73.3
Canadian Bonds	3.8
International Equities	4.2
U.S. Equities	4.3
Cash and Cash Equivalents	10.8
Other Assets, Net of Liabilities	3.6
Total Net Assets	100.0

TOP 25 HOLDINGS (as a % of Total Net Assets)

As at As at June 30, 2014

Cash and Cash Equivalents	10.8
Whitecap Resources Inc.	6.3
Canyon Services Group Inc.	5.8
Vermilion Energy Inc.	5.7
Pembina Pipeline Corp.	5.6
Gibson Energy Inc.	5.2
Canadian Energy Services & Technology Corp.	5.1
Baytex Energy Corp.	4.6
Western Energy Services Corp.	3.9
Lightstream Resources Ltd.	3.8
Cathedral Energy Services Ltd.	3.8
Athabasca Oil Corp., 7.500%, 11/19/2017	3.8
Crescent Point Energy Corp.	3.6
Bonterra Energy Corp.	3.0
Suncor Energy Inc.	2.8
Royal Dutch Shell PLC	2.7
Trilogy Energy Corp.	2.2
Peabody Energy Corp.	2.1
Cenovus Energy Inc.	2.1
Husky Energy Inc.	2.1
Encana Corp.	1.9
Brookfield Renewable Energy Partners LP	1.5
Caterpillar Inc.	1.4
Birchcliff Energy Ltd.	1.3
Pengrowth Energy Corp.	1.2
% of Total Net Assets	**92.3**

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)

ENERGY INCOME FUND

For the six month period ended June 30, 2014 (unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These 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 4 to the 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. The auditors of the Fund have not reviewed these financial statements.

August 29, 2014

(signed)

Conor Bill
Chief Executive Officer
Artemis Investment Management Limited

(signed)

Trevor Maunder
Chief Financial Officer
Artemis Investment Management Limited

STATEMENTS OF FINANCIAL POSITION

June 30, 2014, with comparative figures for December 31, 2013 and January 1, 2013 (unaudited)	June 30, 2014	December 31, 2013	January 1, 2013
Assets			
Current Assets			
Financial assets at fair value through profit or loss	$ 27,925,282	$ 26,636,241	$ 30,667,871
Cash	3,514,269	756,381	1,718,555
Receivable for investments sold	1,217,280	-	566,793
Accrued interest	10,356	10,356	65,271
Dividends receivable	105,833	119,347	122,730
Prepaid expenses	-	-	47,539
Other receivables	73,860	63,088	-
	32,846,880	27,585,413	33,188,759
Liabilities			
Payable for investments purchased	-	-	597,024
Distributions Payable	62,142	186,320	174,363
Management fees payable (Note 8)	18,258	21,557	19,098
Accounts payable and accrued liabilities (Note 8)	128,580	120,554	186,736
Total liabilities (excluding net assets attributable to holders of redeemable units)	208,980	328,431	977,221
Net assets attributable to holders of redeemable units	$ 32,637,900	$ 27,256,982	$ 32,211,538
Number of redeemable units outstanding (Note 7)	6,214,174	6,210,676	6,448,709
Net assets attributable to holders of redeemable units per Unit	$ 5.25	$ 4.39	$ 5.00

See accompanying notes to financial statements.

On behalf of the Board,

(signed)

Conor Bill
Chief Executive Officer

(signed)

Trevor Maunder
Chief Financial Officer

STATEMENTS OF COMPREHENSIVE INCOME

Six month periods ended June 30 (unaudited)	2014	2013
Income		
Dividends	$ 524,432	$ 485,940
Interest income for distribution purposes	44,898	130,879
Security lending income	-	4,263
Foreign exchange gain (loss)	(18,108)	2,520
Other changes in fair value from financial assets and financial liabilities at fair value through profit or loss		
Net realized gain on sale of investments	498,058	834,296
Change in unrealized appreciation (depreciation) in value of investments	5,166,332	(1,463,945)
Total net income (loss)	6,215,612	(6,047)
Expenses		
Management fees (Note 8)	110,166	97,078
Investment management fees (Note 8)	62,954	55,467
Administrative (Note 8)	114,165	2,348,642
Legal fees	18,000	1,160
Regulatory and listing	35,000	54,498
Unitholder servicing	27,000	2,489
Custody, valuation and transfer fees	34,000	30,896
Audit and review fees	20,000	17,243
Independent review committee fees	14,017	18,350
Transaction costs (Note 9)	28,880	67,019
Board fees	-	19,686
Interest expense	-	7
Total operating expenses	464,182	2,712,535
Operating profit before tax	5,751,430	(2,718,582)
Less: Withholding tax	9,383	-
Increase (decrease) in net assets attributable to holders of redeemable units from operations	$ 5,742,047	$ (2,718,582)
Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit[1]	$ 0.92	$ (0.45)

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

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

Six month periods ended June 30 (unaudited)	2014	2013
Net assets attributable to holders of redeemable units - beginning of period	$ 27,256,982	$ 32,211,538
Increase (decrease) in net assets attributable to holders of redeemable units from operations	5,742,047	(2,718,582)
Redeemable unit transactions (Note 8)		
Reinvested distributions	11,656	32,490
Units repurchased and canceled under the normal course issuer bid	-	(1,941,828)
Redemption of redeemable units	11,656	(1,909,338)
Distributions to holders of redeemable units		
Return to holders of redeemable units	(372,785)	(1,087,826)
	(372,785)	(1,087,826)
Net increase (decrease) in net assets attributable to holders of redeemable units for the period	5,380,918	(5,715,746)
Net assets attributable to holders of redeemable units - end of period	$ 32,637,900	$ 26,495,792
Distributions per unit	$ 0.06	$ 0.18

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Six month periods ended June 30 (unaudited)	2014	2013
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	$5,742,047	$(2,718,582)
Adjustments for:		
Net realized (gain) loss on sale of investments	(498,058)	(834,296)
Transaction costs	28,880	67,019
Foreign exchange (gain) loss on cash	18,108	(2,520)
Change in unrealized (appreciation) depreciation on value of investments	(5,166,332)	1,463,945
Purchases of investments	(2,239,399)	(9,551,465)
Proceeds from sale of investments	5,368,588	16,059,810
Decrease (increase) in dividends and interest receivable	13,514	19,156
Decrease (increase) other receivables and prepayments	(10,772)	(40,008)
Increase (decrease) in management fees payable	(3,299)	5,682
Increase (decrease) in other payables and accrued expenses	8,026	(77,070)
Net cash from operating activities	3,261,303	4,391,671
Cash flows used in financing activities		
Distributions paid to holders of redeemable units, net of reinvestment distributions	(485,307)	(1,048,289)
Amounts paid for redeemable units redeemed	-	(1,941,828)
Net cash used in financing activities	(485,307)	(2,990,117)
Foreign exchange gain (loss) on cash	(18,108)	2,520
Net increase (decrease) in cash	2,775,996	1,404,074
Cash at beginning of period	756,381	1,718,555
Cash at end of period	3,514,269	3,122,629
Dividends received, net of withholding taxes	528,563	509,058
Interest received, net of withholding taxes	44,898	126,917
Interest paid, net of withholding taxes	-	7

See accompanying notes to the financial statements.

SCHEDULE OF INVESTMENTS

June 30, 2014

Number of shares / par value	Investments owned	Average cost	Fair value	% of net assets
	CANADIAN BONDS			
1,200,000	Athabasca Oil Corp., 7.500%, 11/19/2017	$ 1,204,125	$ 1,225,435	3.8
	CANADIAN EQUITIES			
	Oil and Gas Corporations			
30,000	Baytex Energy Corp.	1,116,357	1,477,500	4.6
30,000	Birchcliff Energy Ltd.	280,326	423,000	1.3
15,000	Bonterra Energy Corp.	628,392	971,400	3.0
50,000	Canadian Energy Services & Technology Corp.	549,559	1,671,000	5.1
100,000	Canyon Services Group Inc.	1,075,773	1,890,000	5.8
250,000	Cathedral Energy Services Ltd.	1,416,792	1,237,500	3.8
20,000	Cenovus Energy Inc.	622,260	691,800	2.1
25,000	Crescent Point Energy Corp.	980,914	1,182,250	3.6
25,000	Encana Corp.	451,250	632,000	1.9
50,000	Gibson Energy Inc.	1,128,250	1,702,000	5.2
20,000	Husky Energy Inc.	594,440	689,200	2.1
150,000	Lightstream Resources Ltd.	1,060,695	1,224,000	3.8
40,000	Pembina Pipeline Corp.	1,120,199	1,836,400	5.6
50,000	Pengrowth Energy Corp.	359,110	382,500	1.2
20,000	Suncor Energy Inc.	730,786	910,000	2.8
25,000	Trilogy Energy Corp.	707,527	730,000	2.2
20,000	Veresen Inc.	354,138	375,000	1.1
25,000	Vermillion Energy Inc.	1,012,696	1,856,250	5.7
115,000	Western Energy Services Corp.	856,130	1,281,100	3.9
125,000	Whitecap Resources Inc.	1,083,778	2,058,750	6.3
		16,129,372	23,221,650	71.1
	Materials			
81,200	Sherritt International Corp.	289,471	350,783	1.1
15,000	Teck Resources Ltd.	370,194	365,400	1.1
		659,665	716,183	2.2
	TOTAL CANADIAN EQUITIES	16,789,037	23,937,833	73.3
	TOTAL CANADIAN BONDS AND EQUITIES	17,993,162	25,163,268	77.1

SCHEDULE OF INVESTMENTS

June 30, 2014

Number of shares / par value	Investments owned	Average cost	Fair value	% of net assets
	INTERNATIONAL EQUITIES			
15,000	Brookfield Renewable Energy Partners LP	418,485	473,100	1.5
10,000	Royal Dutch Shell PLC	706,908	877,369	2.7
		1,125,393	1,350,469	4.2
	U.S. EQUITIES			
4,000	Caterpillar Inc.	350,594	463,002	1.4
9,000	General Electric Co.	265,514	251,931	0.8
40,000	Peabody Energy Corp.	759,919	696,612	2.1
		1,376,027	1,411,545	4.3
	TOTAL INTERNATIONAL AND U.S. EQUITIES	2,501,420	2,762,014	8.5
	Transaction Costs	(43,810)	-	
	Total Investments	20,450,772	27,925,282	85.6
	Other Assets, Net of Liabilities		4,712,618	14.4
	Total Net Assets		$32,637,900	100.0

See accompanying notes to financial statements.

1. THE FUND

(a) Establishment of the Fund

Energy Income Fund (the "Fund") is the name of the combined Fund resulting from the merger on October 4, 2010 of Sustainable Production Energy Trust ("Sustainable"), Energy Plus Income Trust ("Energy Plus") and CGF Resource 2008 Flow Through LP ("CGF LP"). The address of the fund's registered office is 5 Hazelton Avenue, Suite 200, Toronto, ON, M5R 2E1, Canada.

(b) Change of Manager and Portfolio Advisor

On January 15, 2013, Crown Hill Capital Corporation ("Crown Hill") announced that it had tendered its resignation as trustee and manager of the Fund. Such resignation was effective upon the appointment of Artemis Investment Management Limited ("Artemis") as the Manager of the Fund, which took place on January 16, 2013. A termination payment of $1,834,481was paid to Crown Hill. In addition expenses totaling $406,800 resulting from the resignation were paid to Crown Hill.

On May 22, 2013, the Fund announced the appointment of Vestcap Investment Management Inc. as investment manager ("Portfolio Advisor") of the Fund effective August 22, 2013, replacing Galileo Global Equity Advisors Inc.

The unaudited financial statements were authorized for issue by Artemis Investment Management Limited on August 29, 2014.

2. INVESTMENT OBJECTIVES OF THE FUND

The Fund's investment objectives are to provide the Unitholders with monthly cash distributions and to achieve a total return on the portfolio that is greater than the total return provided by the benchmark index, as selected by the manager from time to time. For the year ended December 31, 2011 and subsequent period, the benchmark index was changed to the S&P/TSX Capped Energy Index.

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; to the extent such net income for tax purposes has not been paid or made payable to Unitholders in the year.

The Fund may be liable to pay income or profits tax on income or gains derived from investments in the U.S. and other foreign countries. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income.

As of December 31, 2013 the Fund had non-capital losses of approximately $1,340,396 that expire in 2033 (2012 – nil), and capital losses of approximately $12,737,265 (2012 – $12,737,265). Capital losses can be carried forward indefinitely for offset against capital gains in the future years.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 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 as defined in Part V of the CPA Canada Handbook (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 policies had always been in effect. Note 15 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.

(a) Cash and Short-Term Investments

Cash include balances with banks at fair value. Short-term investments consist of debt investments with maturities of less than one year on acquisition.

(b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular purchases and sales of financial assets are recognized at their entry date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL). The Fund's obligation for net assets attributable to holders of redeemable units is present at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, on the accrual basis based on the bond coupon rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

(c) Valuation of Investments

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. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In 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 based on the specific facts and circumstances. The Fund's policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3. See Note 6 for a description of each fair value hierarchy level.

(d) Investment Transactions and Income Recognition

i. Investment transactions are accounted for on the entry date.
ii. Interest income for distribution purposes is recognized on an accrual basis based on the bond coupon rate.
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.

(e) Foreign Currency Translation

Both the functional and presentation currency of the fund are Canadian dollars.

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 denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions. Realized exchange gains/(losses) on investments, and unrealized exchange gains/

(losses) on investments, if any, are presented in the Statements of Comprehensive Income.

(f) Distributions

Distributions to unitholders are recorded by the Fund when declared.

g) 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 Schedule of Investments and are included in the total value on the Statements of Financial Position in Financial Assets at Fair Value through Profit or Loss.

As at June 30, 2014 and December 31, 2013, the Fund had no securities on loan.

(h) Increase/(Decrease) in Net Assets Attributable to Holders of Redeemable Units Per Unit

Increase/(decrease) in net assets attributable to holders of redeemable units per unit represents the net increase/(decrease) in net assets attributable to holders of redeemable units from operations divided by the average units outstanding for during the period.

(i) Future Accounting Changes

The International Accounting Standards Board ("IASB") has issued the following new standards and amendments to existing standards that are not yet effective. The Fund has not yet begun the process of assessing the impact the new and amended standards will have on its financial statements or whether to early adopt any of the new standards.

In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized; however, in its February 2014 meeting, the IASB tentatively decided that IFRS 9 would be mandatorily effective for annual periods beginning on or after January 1, 2018. The fund does not intend to early adopt IFRS 9 in its financial statements for the period beginning on January 1, 2014.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

Fair values of instruments not quoted in active markets are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 6 for further information about the fair value measurement of the Fund's financial instruments.

(b) Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for the financial assets under IAS39, Financial instruments – Recognition and Measurement (IAS39). The most significant judgment made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

6. FAIR VALUE DISCLOSURES

The Fund classifies fair value measurements 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 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable for the financial asset or liability and include situations where there is little, if any, market activity for the financial asset or liability. The inputs into the determination of fair value require significant management judgment or estimation.

The following tables illustrate 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.

June 30, 2014	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Equities	$ 26,699,847	-	-	$ 26,699,847
Bonds	-	1,225,435	-	1,225,435
Total	$ 26,699,847	$ 1,225,435	-	$ 27,925,282

There were no transfers between categories or level 3 transactions during the period ended June 30, 2014.

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Equities	$ 25,075,135	-	$ 425,700	$ 25,500,835
Bonds	-	1,131,406	-	1,131,406
Total	$ 25,075,135	$ 1,131,406	$ 425,700	$ 26,632,241

There were no transfers between categories or level 3 transactions during the year ended December 31, 2013.

January 1, 2013	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Equities	$ 27,326,628	-	$ 913,342	$ 28,239,970
Bonds	-	2,427,901	-	2,427,901
Total	$ 27,326,628	$ 2,427,901	$ 913,342	$ 30,667,871

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, interest receivable, payable for investments purchased, redemptions payable, distributions payable, accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units approximates their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

(a) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., intrinsic value, transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

(b) Bonds

Bonds include primarily government and corporate bonds, which are valued at the mean of bid/ask price provided by recognized investment dealers. These prices are generally observable and therefore the Funds' bonds are classified as Level 2.

As of June 30, 2014, the Fund had no securities that represented level 3 financial instruments.

As of December 31, 2013, the Fund had one security that represented level 3 financial instruments: United Hydrocarbon International Corp. The investment was acquired during the year ended December 31, 2012.

As of January 1, 2013, the Fund had two securities that represented level 3 financial instruments: Ravenwood Energy Corp. and United Hydrocarbon International Corp., with the former being in the portfolio in year 2011 and the latter being acquired during the year ended December 31, 2012.

The fair value of each Level 3 investment is generally related to the underlying value and/or creditworthiness of the issuer. Management reviews a number of applicable valuation techniques for each investment depending on a number of factors including: the ability to compare the investment to similar publicly traded investments; the reliability of future cash flow projections; and comparables analysis. In addition to the range of valuation techniques employed, a significant number of the key assumptions used in the valuation of individual investments are company specific. Due to the nature of this detailed, investment by investment approach to fair value determination and the number of different key assumptions, there are no alternative assumptions that are broadly applicable across the investment portfolio of the Fund. Changes in key assumptions may cause material changes in the value of the investments held by the Fund. As of June 30, 2014, if the value of the Level 3 investments were to increase or decrease by 10%, the value of the Fund would increase or decrease by approximately $nil (December 31, 2013 - $42,570 and January 1, 2013 - $91,334).

The table below shows a reconciliation of the opening and closing balance of financial instruments recorded in Level 3:

Level 3 Reconciliation	June 30, 2014	December 31, 2013	January 1, 2013
Total Level 3 Fair Value - Beginning of Period	$ 425,700	$ 913,342	$ 905,000
Purchased	-	-	10,398
Sold	(528,982)	(4,600)	-
Realized gain (loss)	(615,843)	(5,798)	-
Net change in unrealized appreciation (depreciation) in the value of investments	719,125	(477,244)	(2,056)
Total Level 3 Fair Value - End of Period	$ -	$ 425,700	$ 913,342

7. UNITS ISSUED AND OUTSTANDING

Authorized

The authorized capital of the Fund consists of an unlimited number of trust Units which are transferable redeemable Units of beneficial interest.

The Fund's redeemable units are classified as financial liabilities on the Statement of Financial Position, since the Fund has an obligation to distribute its income to minimize taxes such that it has no discretion to avoid cash distributions and with an ongoing redemption option, the Fund violate IAS 32.16A(d) to be classified as equity.

Units Issued and Outstanding

For the periods ended	June 30, 2014	June 30, 2013
Units - beginning of period	6,210,676	6,448,709
Issued under DRIP	3,498	8,282
Warrants exercised	-	-
Units redeemed	-	(410,000)
Units - end of period	6,214,174	6,046,991

Each Unitholder of record on August 29, 2013 received one warrant for each Unit held. A total of 6,049,729 warrants were issued. Each warrant entitled the Unitholder to purchase a Unit upon payment of the subscription price of $3.39. Warrants could be exercised at any time before the earlier of i) October 17, 2013 and ii) such date which was 20 business days after the warrants were called by the Fund in accordance with the terms of the warrant offering. Upon completion of the 2013 warrant offering, a total of 555,230 warrants were exercised for net proceeds of $1,843,364, after expenses totaling $38,866.

Through the monthly redemption feature offered during 2013, 10,000 Units were redeemed for a total cost of $38,228. Pursuant to the special redemption offered in January 2013 (Note 12), 400,000 Units were redeemed for a total cost of $1,903,600 Pursuant to special retraction in November 2013, 400,000 Units were redeemed for a total cost of $1,751,977. For the year ended December 31, 2013, the Fund did not repurchase any Units under the normal course issuer bid program that expired November 20, 2013 (Note 11).

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 Toronto Stock Exchange (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.

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 Unit determined as of the Annual Redemption Date less any retraction costs.

8. RELATED PARTY TRANSACTIONS

The Manager is entitled to a management fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the period ended June 30, 2014, management fees totaled $110,166 (2013 - $97,078), of which $7,068 was payable as at June 30, 2014 (June 30, 2013 - $15,741). The Fund is responsible for all expenses incurred.

The Portfolio Advisor receives a fee of 0.40% 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. For the period ended June 30, 2014, investment management fees totaled $62,954 (2013 - $55,467), of which $11,190 was payable at June 30, 2014 (June 30, 2013 - $9,038).

Administrative Expenses for the period ended June 30, 2014 totaled $114,165 (2013 - $2,348,642). As part of these expenses, the Fund is paying a general overhead cost to Artemis. Artemis receives $15,000 per month plus applicable taxes 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 2013 period were a result of Crown Hill announcing its resignation as trustee and manager of the Fund as of January 15, 2013. A resignation expense of $1.6 million, plus applicable taxes, was paid to Crown Hill as a result of its resignation as manager of the Fund. In addition, expenses totaling $0.4 million, plus applicable taxes, were paid to Crown Hill.

For redemptions or repurchases made subsequent to the amended and restated Declaration of Trust as of March 7, 2014 (the "Declaration of Trust"), the Manager is entitled to receive a fee per Unit of 5% of the net asset value per Unit plus applicable taxes.

9. PORTFOLIO TRANSACTION COSTS

For the period ended June 30, 2014, the Fund incurred portfolio transaction costs of $28,880 (2013 — $67,019). These costs are recorded separately in the Statements of Comprehensive Income as an expense for the period. The fund paid $1,103 in soft dollar commission for the period ended June 30, 2014 (2013 — $2,699).

10. FINANCIAL RISK MANAGEMENT

The Fund aims to provide Unitholders with monthly distributions primarily through investments in energy-related companies. As a result, the Fund is exposed to the risk of being invested, on a concentrated basis, in these asset classes. The Fund's Investment Manager uses a disciplined, fundamental approach in its investment selection and portfolio management approach which consists of an intensive and ongoing research process of investment opportunities. The Investment Manager purchases and holds securities for the Fund for the short to medium term and also determines the timing of when to rotate the Fund's portfolio in order to enhance the Fund's portfolio performance and/or limit risk.

(a) Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument. The investments of the Fund are subject to normal market fluctuations and the risks inherent in being invested in the trust market. The Fund will continue to invest using a long-term perspective while focusing on quality businesses that consistently deliver strong returns for Unitholders. The best estimate of the effect on net asset value due to a reasonably possible change in the S&P/TSX Capped Energy Index ("Energy Index"), with other variables held constant, is as follows: as of June 30, 2014, if prices on the energy index had increased or decreased by 5.0% with all other variables held constant, the net asset value of the Fund would increase or decrease by 3.2% or $1,049,280 respectively (December 31, 2013 — 3.4% or $916,660 and January 1, 2013 — 4.4% or $1,407,592). In practice, the actual results may differ from the above sensitivity analysis and the difference could be material.

(b) Interest Rate Risk

The Fund is exposed to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its investments. The majority of the Fund's assets are non-interest bearing. Excess cash and cash equivalents are invested in overnight deposits and bankers' acceptances.

As at June 30, 2014, had the prevailing interest rates increased by 1%, with all other variables held constant, net asset value of the Fund would have decreased by approximately $26,224 (December 31, 2013 - $36,669 and January 1, 2013 - $87,981). In practice, the actual results may differ from the above sensitivity analysis and the difference could be material.

(c) Credit Risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform to the terms of their obligations to the Fund. The Fund maintains all of its cash and cash equivalents at its custodian. 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.

The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by their carrying amount.

The Fund's cash is mainly held with Royal Bank of Canada, which is rated AA (2013: AA) based on DBRS ratings. The Manager monitors the financial position on a quarterly basis.

The Fund invests approximately 81.8% of the investment portfolio in equity securities. As at June 30, 2014, $1,225,435 of the fund's investments had credit risk exposure (December 31, 2013 - $1,131,406 and January 1, 2013 - $2,427,901).

(d) Foreign Currency Risk

The assets and liabilities of the Fund are predominately held in the functional currency of the Fund which is the Canadian dollar. As at June 30, 2014, the Fund had United States ("U.S.") Dollar currency exposure of U.S. $3,015,840, or 9.24% of the net asset value of the Fund (December 31, 2013 - U.S. $2,368,370, or 8.7% and January 1, 2013 – $nil) At June 30, 2014, if the Canadian dollar had strengthened (weakened) by 5%, with all other variables held constant, net asset value would have increased (decreased) by approximately $150,792 (approximately 0.5% of net asset value) (December 31, 2013 - $118,418 or 0.4% and January 1, 2013 - $nil). In practice, the actual results may differ and the difference could be material.

(e) Liquidity Risk

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an active trading market for the investments will exist at all times or that the prices at which the securities trade accurately reflect their fair values. Thin trading in a security could make it difficult to liquidate holdings in a short period of time. The Fund generally maintains a sufficient cash balance to meet its daily operating expenses.

The Fund's liquid investments are considered to be in excess of the redemption requirements. Therefore, as at June 30, 2014, the Fund's liquidity risk is considered minimal.

(f) Concentration Risk

Concentration risk arises as a result of the concentration of exposures within 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:

Sector	June 30, 2014 Percentage of NAV (%)	December 31, 2013 Percentage of NAV (%)	January 1, 2013 Percentage of NAV (%)
Bonds			
Canadian Corporate Bonds	3.8	4.2	7.5
Canadian Equities			
Oil and Gas Corporations	71.1	78.3	75.9
Industrials	-	-	9.9
Materials	2.2	2.2	-
Utilities	-	2.8	-
U.S. Equities	4.3	5.9	-
International Equities	4.2	4.3	1.8
Other Assets Less Liabilities	14.4	2.3	4.9
Total	100.00	100.00	100.00

11. CAPITAL MANAGEMENT

The Fund's capital is its net assets attributable to holders of redeemable units. 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. Unitholders' equity consists of issued Units, undistributed investment income, if any, undistributed realized gains (losses) on sale of investments, if any, and unrealized gains (losses) in value of investments. 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).

12. FINANCIAL INSTRUMENTS BY CATEGORY

The Fund's financial instruments with the exception of derivatives instruments, as at June 30, 2014, December 31, 2013 and January 1, 2013 are designated as FVTPL. The fund's derivative instruments are categorized as Held for trading ("HFT").

For the periods ended June 30, 2014 and 2013, the Fund's net gains (losses) on financial instruments with the exception of derivatives, were all from financial instruments designated as FVTPL. The Fund's net gains (losses) on derivatives are from instruments categorized as HFT.

13. TRANSITION TO IFRS

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

(a) Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss (FVTPL) upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Note 14) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

(b) 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.

(c) Reconciliation of Net Assets and Comprehensive Income as Previously Reported under Canadian GAAP to IFRS as at transition date January 1 and December 31, 2013, and for the period ended June 30, 2013, respectively:

Reconciliation of Net Assets	December 31, 2013 ($)	January 1, 2013 ($)
Net assets as reported under Canadian GAAP	27,212,751	32,102,317
Revaluation of investments at fair value through profit or loss	44,231	109,221
Net assets attributable to holders of redeemable units	27,256,982	32,211,538

Reconciliation of Comprehensive Income	December 31, 2013 ($)	June 30, 2013 ($)
Comprehensive income as reported under Canadian GAAP	(897,199)	(2,680,072)
Revaluation of investments at fair value through profit or loss	(64,990)	(38,510)
Increase (decrease) in Net Assets attributable to holders of redeemable units	(962,189)	(2,718,582)

(d) Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

(e) Revaluation of Investments at Fair Value Through Profit or Loss

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing 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, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $44,231 as at December 31, 2013 and $109,221 as at January 1, 2013. The impact of this adjustment was to decrease the Fund's Increase (decrease) in net assets attributable to holders of redeemable units by $38,510 for the six month period ended June 30, 2013 and by $64,990 for the year ended December 31, 2013.

(f) Reclassification Adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in late 2013.

15. RECENT DEVELOPMENTS

Monthly Distributions for 2014

On January 22, 2014, the Fund announced distributions for 2014 of $0.01 per unit per month. Unitholders of record on the last day of each month of 2014 would be paid distributions on the 15th day (or first business day thereafter) of the ensuing month.

A copy of the full news release is available on the Fund's SEDAR profile at www.sedar.com.

Redemptions & Retractions

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 29, 2013 was 6,209,301 Units and 10% of the public float was 620,930 Units. From January 1, 2014 to June 30, 2014, the Fund did not repurchase any Units for cancellation.

CORPORATE INFORMATION

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Peter Chodos
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Michael Newman

DIRECTORS OF THE MANAGER/TRUSTEE

Miles Nadal - Director
Conor Bill - Director
Trevor Maunder - Director

OFFICERS OF THE MANAGER/TRUSTEE

Miles Nadal - Chairman
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Trevor Maunder - Chief Financial Officer
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