Artemis
Investment Management

ENERGY INCOME FUND

ANNUAL REPORT

DECEMBER 31, 2014

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MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Energy Income Fund (the "Fund") contains financial highlights but does not contain the complete annual financial statements of the Fund. You may obtain a copy of the annual financial statements, at no cost, by calling 647-477-4886, or by sending a request to Investor Relations, Artemis Investment Management Limited, 1325 Lawrence Avenue E., Suite 200, Toronto, ON, M3A 1C6, Canada or by visiting our website at www.artemisfunds.ca or the Fund's SEDAR profile at www.sedar.com. Holders of units ("Unitholders") may also contact us using one of these methods to request a copy of the Fund's interim financial report, 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 of the Fund ("Artemis" or the "Manager"). 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 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 ("NAV") 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 for the year ended December 31, 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 dated March 26, 2015 on the Fund's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS

The NAV of the Fund went from $27.26 million to $20.17 million from January 1, 2014 to December 31, 2014. Total revenue per Unit for the year ended December 31, 2014 was $0.184, compared to $0.208 in 2013. Operations resulted in a decrease in NAV per Unit of $0.644, compared to a decrease of $0.157 in 2013. This year's operating loss was primarily the result of a significant selloff in global energy markets during the third and fourth quarters. This broad selloff caused unrealized losses on investments held by the Fund despite the fact that the Portfolio Advisor had materially reduced equity investments over the first two quarters of 2014.

Total administrative expenses for the year ended December 31, 2014 were $0.041 per Unit compared to $0.402 in 2013. The decrease in total administrative expenses for the year ended December 31, 2014 compared to 2013 is primarily attributable to certain non-recurring expenses 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 were approximately the same for the year at $0.035 per Unit compared to 2013 ($0.037) as the Fund's average NAV was approximately the same during both years. Investment management fees were also approximately the same for the year at $0.020 per Unit compared to 2013 ($0.019). Excluding the expenses discussed above, all other expenses of the Fund for the year ended December 31, 2014 were $0.053 per Unit (2013 – $0.077).

The return of the S&P/TSX Capped Energy Index for the year ended December 31, 2014 was negative 18.92%. With the rapid appreciation of the Canadian energy sector over the first half of 2014, the Portfolio Advisor reduced positions to realize gains and maintain a sufficient cash balance to purchase undervalued securities. A significant selloff in the Canadian energy sector occurred during the third and fourth quarters of 2014. The Portfolio Advisor began and continues to reduce the cash balance accumulated from the first half of the year by increasing existing positions in the third and fourth quarters. The overall asset mix for the year ended December 31, 2014 remained relatively the same as that of 2013.

The NAV per Unit, after distributions to Unitholders, decreased 18.00% for the year ended December 31, 2014. During 2014, the Fund paid total cash distributions of $0.12 per Unit.

There were no unusual trends in redemptions for the year ended December 31, 2014, with 621,067 Units redeemed in the year.

TRADING PREMIUM/DISCOUNT TO NET ASSET VALUE

In 2014, the Fund traded at an average discount to its NAV per Unit of 27.86%, compared to an average discount of 18.25% for 2013.

RECENT DEVELOPMENTS

Monthly Distributions

On January 22, 2014, the Fund announced distributions for 2014 of $0.01 per Unit per month. Participants in the Fund's dividend reinvestment plan continued to receive their distributions in Units, with no changes in the basis of calculation.

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"). For 2014 that number was 621,067 Units. In 2014, 621,067 Units were redeemed at a price of $3.6463 per Unit.

Transition to International Financial Reporting Standards ("IFRS")

These financial statements have been prepared in compliance with IFRS applicable to the preparation of financial statements, including IFRS 1, First-time Adoption of International Financial Reporting Standards. 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 CICA Handbook ("Canadian GAAP"). The comparative information has been restated from Canadian GAAP to comply with IFRS. 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 the periods presented, as if these policies had always been in effect. Note 13 of the financial statements discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

RELATED PARTY TRANSACTIONS

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 year ended December 31, 2014, management fees totaled $216,382 (2013 – $226,008), of which $15,069 was payable as at December 31, 2014 (2013 – $17,069). The Fund is responsible for all expenses incurred.

MANAGEMENT REPORT OF FUND PERFORMANCE

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 year ended December 31, 2014, investment management fees totaled $123,650 (2013 – $113,703), of which $8,611 was payable at December 31, 2014 (2013 – $10,242).

Administrative expenses for the year ended December 31, 2014 totaled $255,018 (2013 – $2,469,671). 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 2013 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.

The Manager is entitled to receive a fee of 5% of the NAV per Unit plus applicable taxes for Units redeemed or repurchased. For the year ended December 31, 2014, redemption fees totaled $135,579 (2013 – $101,852) of which nil was payable as at December 31, 2014 (2013 – nil).

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.

The Fund's Net Assets per Unit (1)

For the Periods Ended	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10
Net Assets per Unit, Beginning of Year	**$ 4.39**	$ 4.98	$ 6.35	$ 6.80	$ 5.85
Increase (Decrease) from Operations:					
Total Revenue	**0.18**	0.20	0.22	0.33	0.38
Total Expenses	**(0.15)**	(0.53)	(0.20)	(0.23)	(0.31)
Realized Gains (Losses)	**0.13**	0.13	(0.20)	0.18	0.41
Unrealized Gains (Losses)	**(0.81)**	0.06	(0.45)	(0.19)	1.55
Total Increase (Decrease) from Operations (2)	**$ (0.64)**	$ (0.15)	$ (0.62)	$ 0.09	$ 2.03
Distributions:					
From net investment income (excluding dividends)	**–**				
From dividends	**–**				
From capital gains	**–**				
Return of capital	**0.12**	0.36	0.36	0.36	0.36
Total Distributions per Unit (3)	**0.12**	0.36	0.36	0.36	0.36
NAV per Unit – End of Year	**$ 3.60**	$ 4.38	$ 4.98	$ 6.35	$ 6.80

(1) For financial years beginning before January 1, 2013, the financial statements of the Fund were prepared in accordance with Canadian GAAP, whereas for financial periods beginning January 1, 2013, the financial statements of the Fund have been prepared in accordance with IFRS. This information is derived from the Fund's audited annual financial statements. The net assets per Unit presented in the financial statements differ from the net asset value per Unit calculated for fund pricing purposes because of the provisions of CPA Handbook Section 3855. 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	31-Dec-14	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10
Total Net Asset Value ($ 000's) (1)	**$ 20,170**	$ 27,213	$ 32,102	$ 47,339	$ 47,856
Number of Units Outstanding (000's) (1)	**5,596**	6,211	6,449	7,458	7,036
Management Expense Ratio (2)	**3.06%**	11.49%	2.68%	3.01%	4.51%
Trading Expense Ratio (3)	**0.13%**	0.43%	0.98%	0.27%	0.61%
Portfolio Turnover Rate (4)	**15.22%**	70.69%	148.91%	37.68%	111.38%
Net Asset Value Per Unit	**$ 3.60**	$ 4.38	$ 4.98	$ 6.35	$ 6.80
Closing Market Price	**$ 2.70**	$ 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 daily 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

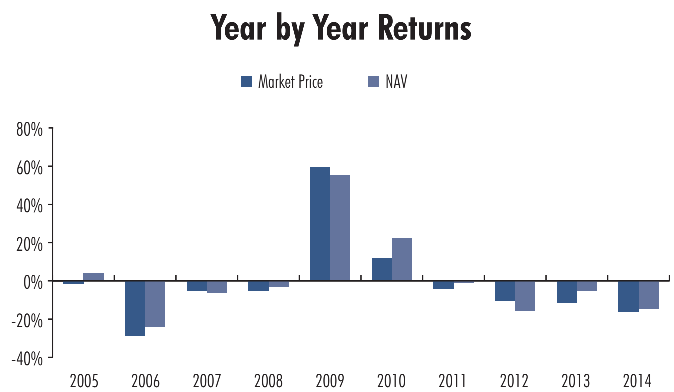
The Manager is entitled to receive a management fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. The Portfolio Advisor receives a fee of 0.40% per annum of the average net asset value of the Fund plus applicable taxes, calculated 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 December 31, 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 year ended December 31, 2014 was negative 14.85% measured in terms of its NAV per Unit. The total return of the market price per Unit of the Fund for the year ended December 31, 2014 was negative 16.06%.



ANNUAL COMPOUND RETURNS

The following table presents the annual compound returns for Energy Income Fund based on market price and net assets per Unit for the periods indicated to December 31, 2014. For the year ended December 31, 2011 and subsequent periods, the returns are compared to the S&P/TSX Capped Energy Index due to the widespread conversion of oil & gas royalty trusts to corporations. The S&P/TSX Capped Energy Index is a market capitalization weighted total return index of corporations which are classified in the energy sector of the Global Industry Classification Standards.

	1-Year	3-Year	5-Year	Since Inception
Energy Income Fund (Market Price)	(16.06)%	(12.52)%	(6.40)%	(3.44)%
Energy Income Fund (Net Assets)	(14.85)%	(12.08)%	(3.87)%	(0.97)%
S&P/TSX Capped Energy Index (1)	(18.92)%	(6.30)%	(5.76)%	(3.22)%

(1) Prior to 2011, the annual compound returns for the Fund based on market price and net assets per Unit were compared to the S&P/TSX Capped Energy Trust Index and therefore will not match the current comparison to the S&P/TSX Capped Energy Index's compound returns. Under the Fund's Declaration of Trust, the change in the benchmark index used to measure against the return of the portfolio may be selected and changed by the Manager from time to time.

MANAGEMENT REPORT OF FUND PERFORMANCE

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2014

Total Net Assets: $20,170,233

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	72.00%
Materials	2.40%
Total Canadian Equities	74.40%
International Equities (U.S., U.K., Bermuda)	13.10%
Other Assets, Net of Liabilities	12.50%
Total Net Assets	100.00%

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

As at December 31, 2014

Other Assets, Net of Liabilities	12.50%	Birchcliff Energy Ltd.	3.30%
Pembina Pipeline Corp.	8.40%	Bonterra Energy Corp.	3.10%
Whitecap Resources Inc.	7.10%	Baytex Energy Corp.	2.90%
Vermilion Energy Inc.	7.00%	Husky Energy Inc.	2.70%
Canadian Energy Services & Technology Corp.	4.70%	Brookfield Renewable Energy Partners LP	2.70%
Crescent Point Energy Corp.	4.70%	General Electric Co.	2.70%
Canyon Services Group Inc.	4.50%	Cenovus Energy Inc.	2.40%
Royal Dutch Shell PLC	3.80%	Caterpillar Inc.	2.10%
Suncor Energy Inc.	3.70%	Pengrowth Energy Corp.	1.80%
Veresen Inc.	3.60%	Peabody Energy Corp.	1.80%
Cathedral Energy Services Ltd.	3.40%	Sherritt International Corp.	1.20%
Gibson Energy Inc.	3.40%	Teck Resources Ltd.	1.20%
Western Energy Services Corp.	3.40%	**% of Total Net Assets**	**98.10%**

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 of

ENERGY INCOME FUND

Years ended December 31, 2014 and 2013

Artemis
Investment Management

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Energy Income Fund

We have audited the accompanying financial statements of Energy Income Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Energy Income Fund as at December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013, in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 17, 2015
Toronto, Canada

STATEMENT OF FINANCIAL POSITION

December 31, 2014, December 31, 2013 and January 1, 2013

	December 31, 2014	December 31, 2013	January 1, 2013
		(note 13)	(note 13)
Assets			
Financial assets at fair value through profit or loss	$ 17,642,965	$ 26,636,241	$ 30,667,871
Cash	2,662,047	756,381	1,718,555
Receivable for investments sold	–	–	566,793
Accrued interest	–	10,356	65,271
Dividends receivable	98,352	119,347	122,730
Prepaid expenses	–	–	47,539
Other receivables	110,612	63,088	–
	20,513,976	27,585,413	33,188,759
Liabilities			
Payable for investments purchased	–	–	597,024
Distributions payable	55,960	186,320	174,363
Management fees payable (note 8)	23,680	21,557	19,098
Accounts payable and accrued liabilities (note 8)	264,103	120,554	186,736
	343,743	328,431	977,221
Net assets attributable to holders of redeemable units	$ 20,170,233	$ 27,256,982	$ 32,211,538
Number of redeemable units outstanding (note 7)	5,595,972	6,210,676	6,448,709
Net assets attributable to holders of redeemable units per unit	$ 3.60	$ 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

STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31, 2014 and 2013

	2014	2013
		(note 13)
Income:		
Dividends	$ 1,056,945	$ 997,828
Interest income for distribution purposes	56,109	217,808
Other	–	42,313
Foreign exchange gain	24,445	20,434
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on sale of investments	811,993	768,298
Change in unrealized appreciation (depreciation) in value of investments	(4,983,643)	275,732
	(3,034,151)	2,322,413
Expenses:		
Management fees (note 8)	216,382	226,008
Investment management fees (note 8)	123,650	113,703
Administrative (note 8)	255,018	2,469,671
Legal fees	36,000	54,966
Regulatory and listing	70,000	89,296
Unitholder servicing	62,800	46,691
Custody, valuation and transfer fees	59,200	62,763
Audit and review fees	40,000	38,999
Independent review committee fees	20,000	28,891
Transaction costs (note 9)	36,580	118,964
Board fees	–	33,559
	919,630	3,283,511
Operating loss before taxes	(3,953,781)	(961,098)
Withholding taxes	(20,296)	(1,091)
Decrease in net assets attributable to holders of redeemable units from operations	$ (3,974,077)	$ (962,189)
Weighted average number of units outstanding	6,166,446	6,145,467
Decrease in net assets attributable to holders of redeemable units from operations per unit (1)	$ (0.64)	$ (0.16)

(1) Based on the weighted average number of units outstanding during the years.

See accompanying notes to financial statements.

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

Years ended December 31, 2014 and 2013

	2014	2013
		(note 13)
Net assets attributable to holders of redeemable units, beginning of year	$ 27,256,982	$ 32,211,538
Decrease in net assets attributable to holders of redeemable units from operations	(3,974,077)	(962,189)
Redeemable unit transactions (note 7):		
Proceeds from exercise of warrants	–	1,843,364
Reinvested distributions	20,809	61,442
Redemption of redeemable units	(2,400,176)	(3,693,805)
	(2,379,367)	(1,788,999)
Distributions to holders of redeemable units:		
Return to holders of redeemable units	(733,305)	(2,203,368)
Net decrease in net assets attributable to holders of redeemable units for the year	(7,086,749)	(4,954,556)
Net assets attributable to holders of redeemable units, end of year	$ 20,170,233	$ 27,256,982
Distributions per unit	$ 0.12	$ 0.36

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013

	2014	2013
	(note 13)	(note 13)
Cash flows from (used in) operating activities:		
Decrease in net assets attributable to holders of redeemable units from operations	$ (3,974,077)	$ (962,189)
Adjustments for:		
Net realized gain on sale of investments	(811,993)	(768,298)
Transaction costs	36,580	118,964
Foreign exchange gain on cash	(24,445)	(20,434)
Change in unrealized depreciation (appreciation) in value of investments	4,983,643	(275,732)
Purchases of investments	(4,329,528)	(19,014,333)
Proceeds from sale of investments	9,114,574	23,940,798
Decrease in dividends and interest receivable	31,351	58,298
Increase in other receivables and prepaid expenses	(47,524)	(15,549)
Increase in management fees payable	2,123	2,459
Increase (decrease) in accounts payable and other liabilities	143,549	(66,182)
	5,124,253	2,997,802
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	(842,856)	(2,129,969)
Proceeds from redeemable units issued	–	1,843,364
Amounts paid for redeemable units redeemed	(2,400,176)	(3,693,805)
	(3,243,032)	(3,980,410)
Foreign exchange gain on cash	24,445	20,434
Net increase (decrease) in cash	1,905,666	(962,174)
Cash, beginning of year	756,381	1,718,555
Cash, end of year	$ 2,662,047	$ 756,381
Supplemental information:		
Dividends received, net of withholding taxes	$ 1,057,644	$ 1,000,120
Interest received, net of withholding taxes	66,465	272,723

See accompanying notes to financial statements.

SCHEDULE OF INVESTMENTS

December 31, 2014

Number of shares / par value	Investments owned	Average cost	Fair value	% of net assets
	CANADIAN EQUITIES			
	Oil and gas corporations:			
30,000	Baytex Energy Corp.	$ 1,116,357	$ 579,600	2.9
85,000	Birchcliff Energy Ltd.	878,769	664,700	3.3
15,000	Bonterra Energy Corp.	628,392	624,750	3.1
150,000	Canadian Energy Services & Technology Corp.	549,559	952,500	4.7
100,000	Canyon Services Group Inc.	1,075,773	899,000	4.5
250,000	Cathedral Energy Services Ltd.	1,416,792	682,500	3.4
20,000	Cenovus Energy Inc.	622,260	479,400	2.4
35,000	Crescent Point Energy Corp.	1,437,005	941,850	4.7
25,000	Gibson Energy Inc.	564,125	679,750	3.4
20,000	Husky Energy Inc.	594,440	550,000	2.7
150,000	Lightstream Resources Ltd.	1,060,695	178,500	0.9
40,000	Pembina Pipeline Corp.	1,120,199	1,693,600	8.4
100,000	Pengrowth Energy Corp.	727,210	366,000	1.8
20,000	Suncor Energy Inc.	730,785	738,000	3.7
25,000	Trilogy Energy Corp.	707,527	197,750	1.0
40,000	Veresen Inc.	742,738	734,400	3.6
25,000	Vermilion Energy Inc.	1,012,696	1,425,000	7.0
115,000	Western Energy Services Corp.	856,130	691,150	3.4
125,000	Whitecap Resources Inc.	1,083,778	1,430,000	7.1
		16,925,230	14,508,450	72.0
	Materials:			
81,200	Sherritt International Corp.	289,470	243,600	1.2
15,000	Teck Resources Ltd.	370,194	238,200	1.2
		659,664	481,800	2.4
	TOTAL CANADIAN EQUITIES	17,584,894	14,990,250	74.4
	INTERNATIONAL EQUITIES			
15,000	Brookfield Renewable Energy Partners LP	417,456	538,500	2.7
10,000	Royal Dutch Shell PLC	706,908	775,450	3.8
		1,124,364	1,313,950	6.5

December 31, 2014

Number of shares / par value	Investments owned	Average cost	Fair value	% of net assets
	U.S. EQUITIES			
4,000	Caterpillar Inc.	350,594	424,059	2.1
19,000	General Electric Co.	545,438	556,111	2.7
40,000	Peabody Energy Corp.	759,919	358,595	1.8
		1,655,951	1,338,765	6.6
	TOTAL INTERNATIONAL AND U.S. EQUITIES	2,780,315	2,652,715	13.1
	Transaction costs	(46,779)	–	–
	Total investments	$ 20,318,430	17,642,965	87.5
	Other assets, net of liabilities		2,527,268	12.5
	Total net assets attributable to holders of redeemable units		$ 20,170,233	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 1325 Lawrence Avenue East, Suite 200, Toronto, ON, M3A 1C6, 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" or "Manager") as the manager of the Fund, which subsequently took place on January 16, 2013. A termination payment of $1,834,481 was 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 financial statements were authorized for issue by Artemis Investment Management Limited on March 17, 2015.

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, 2014, the Fund had non-capital losses of approximately $1,323,771 (December 31, 2013 – $1,340,396; January 1, 2013 – nil) that expire in 2033, and capital losses of approximately $12,737,265 (December 31, 2013 – $12,737,265; January 1, 2013 – $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 Chartered Professional Accountants of 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 13 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:
Cash include balances with banks at fair value.

(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 trade 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 presented 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. Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL 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 trade 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 included in net realized gain on sale of investments and change in unrealized appreciation (depreciation) on investments 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 FVTPL.

As at December 31, 2014, December 31, 2013 and January 1, 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 years.

(i) Future accounting changes:

The IASB has issued the following new standard 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 2009, IFRS 9, Financial Instruments ("IFRS 9"), was issued and subsequently amended October 2010. This is the first phase of the project on classification and measurement of financial assets and liabilities. IFRS 9 will replace International Accounting Standard 39, Financial Instruments – Recognition and Measurement ("IAS 39") and will be completed in three phases, which include limited amendments to classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. Accounting for macro hedging was removed from IFRS 9 and is expected to be issued as a separate standard. IFRS 9 is effective for fiscal years beginning on or after January 1, 2018. The standard on general hedge accounting was issued and included as part of IFRS 9 in November 2013. The Manager continues to evaluate the impact of IFRS 9 on its financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

(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.

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; and

- 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 December 31, 2014, December 31, 2013 and January 1, 2013.

December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL:				
Equities	$ 17,642,965	$ –	$ –	$ 17,642,965

There were no transfers between categories during the year ended December 31, 2014.

December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL:				
Equities	$ 25,079,135	$ –	$ 425,700	$ 25,504,835
Bonds	–	1,131,406	–	1,131,406
Total	$ 25,079,135	$ 1,131,406	$ 425,700	$ 26,636,241

There were no transfers between categories 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, interest receivable, payable for investments purchased, distributions payable and accrued liabilities 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 December 31, 2014, the Fund had no securities that were classified as Level 3 financial instruments.

As of December 31, 2013, the Fund had one security that was classified as a 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 were classified as 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 December 31, 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:

		2014		**2013**
Total Level 3 fair value, beginning of year	$	425,700	$	913,342
Purchased		–		–
Sold		(528,982)		(8,342)
Realized gain		(615,843)		(2,056)
Net change in unrealized appreciation (depreciation) in the value of investments		719,125		(477,244)
Total Level 3 fair value, end of year	$	–	$	425,700

7. UNITS ISSUED AND OUTSTANDING:

(a) 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 securities entitle unitholders the right to redeem their interest in the Fund for cash equal to their proportionate share of the net asset value of the Fund, amongst other contractual rights. These redeemable securities involve multiple contractual obligations on the part of the Fund and therefore meet the criteria for classification as financial liabilities. The Fund's obligation for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amount as of the reporting date.

The following unit transactions took place during the years ended December 31, 2014 and 2013:

(b) Units issued and outstanding:

	2014	**2013**
Units, beginning of year	6,210,676	6,448,709
Issued under distribution reinvestment plan ("DRIP")	6,363	16,737
Warrants exercised	–	555,230
Units redeemed	(621,067)	(810,000)
Units, end of year	5,595,972	6,210,676

Warrants issued and outstanding:

	2014	**2013**
Warrants outstanding, beginning of year	$ –	$ –
Warrants issued	–	6,049,729
Warrants exercised	–	(555,230)
Warrants expired	–	(5,494,499)
Warrants outstanding, end of year	$ –	$ –

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.

(c) Redemptions and 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 December, 2014, the Fund did not repurchase any units for cancellation.

Through the monthly redemption feature offered during 2013, 10,000 units were redeemed for a total cost of $38,228.

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 NAV per unit determined as of the Annual Redemption Date less any retraction costs.

Pursuant to the annual redemption feature in November 2014, 621,067 units were redeemed for a total cost of $2,400,176. Pursuant to the annual redemption feature in November 2013, 400,000 units were redeemed for a total cost of $1,751,977. Pursuant to the special redemption offered in January 2013, 400,000 units were redeemed for a total cost of $1,903,600. 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.

8. RELATED PARTY TRANSACTIONS:

The Manager is entitled to a management fee of 0.70% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. For the year ended December 31, 2014, management fees totaled $216,382 (2013 – $226,008), of which $15,069 was payable as at December 31, 2014 (2013 – $21,557). The Fund is responsible for all expenses incurred.

The Portfolio Advisor receives a fee of 0.40% per annum of the average NAV of the Fund, plus applicable taxes, calculated and payable monthly, in exchange for providing investment management services. For the year ended December 31, 2014, investment management fees totaled $123,650 (2013 – $113,703), of which $8,611 was payable at December 31, 2014 (2013 – $10,242).

Administrative expenses for the year ended December 31, 2014 totaled $255,018 (2013 – $2,469,671). 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 2013 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 NAV per unit plus applicable taxes.

9. PORTFOLIO TRANSACTION COSTS:

For the year ended December 31, 2014, the Fund incurred portfolio transaction costs of $36,580 (2013 – $118,964). These costs are recorded separately in the statements of comprehensive income as an expense for the year. The Fund paid $2,186 in soft dollar commissions for the year ended December 31, 2014 (2013 – $3,499).

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 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 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 NAV 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 December 31, 2014, if prices on the Energy Index had increased or decreased by 5.0% with all other variables held constant, the NAV of the Fund would increase or decrease by 3.9% or $778,222, 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 December 31, 2014, had the prevailing interest rates increased by 1%, with all other variables held constant, NAV of the Fund would have decreased by approximately nil (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 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 87.5% of the investment portfolio in equity securities. As at December 31, 2014, nil 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 December 31, 2014, the Fund had United States ("U.S.") dollar currency exposure of U.S. $2,645,618, or 13.1% of the NAV of the Fund (December 31, 2013 – U.S. $2,368,370, or 8.7% and January 1, 2013 – nil). At December 31, 2014, if the Canadian dollar had strengthened (weakened) by 5%, with all other variables held constant, NAV would have increased (decreased) by approximately $132,281 (approximately 0.7% of NAV) (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 December 31, 2014, December 31, 2013 and January 1, 2013, 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:

	Percentage of NAV		
Sector	December 31, 2014	December 31, 2013	January 1, 2013
Bonds			
Canadian corporate bonds	–	4.2	7.5
Canadian equities:			
Oil and gas corporations	72.0	78.3	75.9
Industrials	–	–	9.9
Materials	2.4	2.2	–
Utilities	–	2.8	–
U.S. equities	6.6	5.9	–
International equities	6.5	4.3	1.8
Other assets less liabilities	12.5	2.3	4.9
Total	100.0	100.0	100.0

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 as at December 31, 2014, December 31, 2013 and January 1, 2013 are designated as FVTPL with the exception of accrued interest, dividends receivable, prepaid expenses, other receivables, distributions payable, management fees payable and accounts payable and accrued liabilities, which are classified as loans and receivables.

For the years ended December 31, 2014 and 2013, the Fund's net gains (losses) on financial instruments with the exception of derivatives, were all on financial instruments designated as FVTPL.

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 FVTPL upon transition to IFRS. All financial assets designated at FVTPL upon transition 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, Presentation of Financial Statements 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, 2013 and December 31, 2013, and for the year ended December 31, 2013, respectively:

Reconciliation of net assets:

	December 31, 2013	January 1, 2013
Net assets reported under Canadian GAAP	$ 27,212,751	$ 32,102,317
Revaluation of investments at FVTPL	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
Comprehensive income as reported under Canadian GAAP	$ (897,199)
Revaluation of investments at FVTPL	(64,990)
Decrease of net assets attributable to holders of redeemable units	$ (962,189)

(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, Financial Instruments – Presentation ("IAS 32") requires that units or shares of an entity which include multiple contractual obligations for the issuer, be classified as a 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, 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 $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. RECENT DEVELOPMENTS:

Monthly distributions for 2015:

On January 23, 2015, the Fund announced distributions for 2015 of $0.01 per unit per month. Unitholders of record on the last day of each month of 2015 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.

CORPORATE INFORMATION

MANAGER/TRUSTEE

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Energy Income Fund Units: **ENI.UN**

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INDEPENDENT REVIEW COMMITTEE

Peter Chodos
John Mills
Michael Newman

DIRECTORS OF THE MANAGER/TRUSTEE

Conor Bill – Director
Trevor Maunder – Director
Gavin Swartzman – Director

OFFICERS OF THE MANAGER/TRUSTEE

Conor Bill – Chief Executive Officer
Trevor Maunder – Chief Financial Officer and Secretary
Gavin Swartzman – Director
Sean Lawless – Chief Compliance Officer
Anthony Shapiro – General Counsel
Robert Kidd – Vice President, Business Development

CUSTODIAN

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