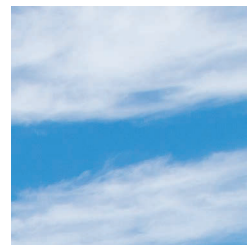
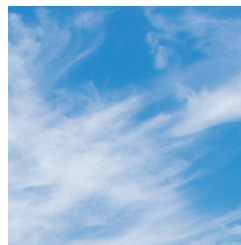
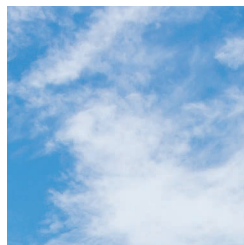




# Artemis

Investment Management



## **ENERGY INCOME FUND**

**ANNUAL REPORT**

**December 31, 2019**



## TABLE OF CONTENTS

---

1	MANAGEMENT REPORT OF FUND PERFORMANCE
8	FINANCIAL STATEMENTS
11	STATEMENTS OF FINANCIAL POSITION
12	STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
13	STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
14	STATEMENTS OF CASH FLOWS
15	SCHEDULE OF INVESTMENTS
16	NOTES TO FINANCIAL STATEMENTS
24	CORPORATE INFORMATION

# 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 (416) 934-7455, 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](http://www.artemisfunds.ca) or the Fund’s SEDAR profile at [www.sedar.com](http://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 objectives 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 in the year ended December 31, 2019 that materially affected the risks associated with an investment in Units of the Fund. For a list of risks, see the Fund’s most recent annual information form on the Fund’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## RESULTS OF OPERATIONS

The NAV of the Fund decreased from \$7.76 million to \$7.47 million from January 1, 2019 to December 31, 2019. Total revenue per Unit for the year ended December 31, 2019 was \$0.098, compared to \$0.111 for 2018. Operations for the year resulted in an increase in NAV per Unit of \$0.227 compared to a decrease of \$0.476 for 2018.

Total administrative expenses for the year ended December 31, 2019 were \$0.021 per Unit compared to \$0.022 for 2018. On a per Unit basis, management fees decreased for the year to \$0.019 per Unit compared to (2018 – \$0.022) due to a decrease in the total weighted average units outstanding. Investment management fees on a per Unit basis also decreased for the year to \$0.011 per Unit (2018 – \$0.013). Excluding the expenses discussed above, all other expenses of the Fund for the year ended December 31, 2019 were \$0.044 per Unit (2018 – \$0.053).

## MANAGEMENT REPORT OF FUND PERFORMANCE

---

After a tumultuous ending to 2018, North American indices rallied throughout 2019 ending the year in positive territory. Specifically, the S&P/TSX Composite Index had a price return of 19.1%, the S&P 500 grew by 29.7% in local currency (or +23.7% in CAD terms), while the S&P/TSX Capped Energy Sector Index had a total return of 5.9%. Against this backdrop the Fund was up 16.4% far outpacing the benchmark as the Fund outperformed significantly over the first and last quarters of the year. Energy producers are at an inflection point as the world is moving aggressively towards significantly reducing fossil fuel consumption, despite very favourable regulatory environments in both Canada and the U.S. The Fund has benefitted from its exposure to pipelines as well as companies with more environmentally sustainable projects on the horizon. It also benefitted from a reduction to its exposure to interest rate risk, particularly short rates. While there is no certainty of the direction rates will take in 2020, it is expected that volatility will remain and there will be opportunities to capitalize thereon in the year ahead. The recent COVID-19 pandemic is likely to enhance volatility going ahead.

The NAV per Unit, after distributions to Unitholders, increased 5.47% for the year ended December 31, 2019. During 2019, the Fund paid total cash distributions of \$0.12 per Unit. There were no unusual trends in redemptions for the year ended December 31, 2019, with 345,934 Units redeemed.

### TRADING PREMIUM/DISCOUNT

In 2019, the Fund traded at an average discount to its net asset value per Unit of 20.34%, compared to an average discount of 20.37% for 2018.

### RECENT DEVELOPMENTS

#### Monthly distribution for 2020

The Fund announced distributions for 2020 of \$0.01 per Unit per month. Unitholders of record on the last day of each month of 2020 will be paid cash distributions of \$0.01 on the 15th day (or first business day thereafter) of the ensuing month.

#### Redemptions

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 first business day of a calendar 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 January 2, 2019 was 3,459,325 Units and 10% of the public float was 345,933 Units. For the year ended December 31, 2019, 345,934 Units were redeemed at a price of \$1.979 per Unit pursuant to the annual redemption privilege.

#### General overhead cost to Artemis

The Fund pays a general overhead cost to Artemis. For the year ended December 31, 2019, Artemis received \$5,000 per month plus applicable taxes to cover related administrative salaries, employee benefits, general overhead and office supplies.

### RELATED PARTY TRANSACTIONS

The Manager is entitled to receive 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, 2019, management fees totaled \$74,893 (2018 — \$93,866), of which \$4,522 was payable as at December 31, 2019 (2018 — \$5,669). The Fund is responsible for all expenses incurred on its behalf. Artemis generally has all expenses incurred by the Fund paid directly by the Fund.

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, 2019, investment management fees totaled \$42,796 (2018 — \$53,638) of which \$2,584 was payable as at December 31, 2019 (2018 — \$3,239). Vestcap, the Portfolio Advisor of the Fund, is a corporation under common control with the Manager.

Administrative expenses for the year ended December 31, 2019 totaled \$80,092 (2018 — \$91,872). As part of these expenses, the Fund pays a general overhead cost to Artemis. For the year ended December 31, 2019, Artemis received \$5,000 per month plus applicable taxes to cover related administrative salaries, employee benefits, general overhead and office supplies.

The Manager is entitled to receive a fee of 5% of the NAV per Unit redeemed or repurchased including applicable taxes. For the year ended December 31, 2019, redemption fees totaled \$36,277 (2018 — \$39,413) plus applicable taxes of which nil was payable as at December 31, 2019 (2018 — 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 <sup>(1)</sup>

For the Years Ended	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
<b>Net Assets per Unit, Beginning of Year</b>	<b>\$ 2.01</b>	\$ 2.61	\$ 2.85	\$ 2.44	\$ 3.60
<b>Increase (decrease) from operations:</b>					
total revenue	<b>0.10</b>	0.11	0.08	0.05	0.16
total expenses (excluding distributions)	<b>(0.09)</b>	(0.11)	(0.05)	(0.08)	(0.14)
realized gains (losses) for the year	<b>(0.04)</b>	(0.01)	0.06	(0.56)	(1.00)
unrealized gains (losses) for the year	<b>0.26</b>	(0.46)	(0.22)	1.11	(0.06)
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ 0.23</b>	\$ (0.47)	\$ (0.13)	\$ 0.52	\$ (1.03)
<b>Distributions:</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	0.03	—	—
From capital gains	—	—	—	—	—
Return of capital	<b>0.12</b>	0.12	0.09	0.12	0.12
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>0.12</b>	0.12	0.12	0.12	0.12
<b>Net Assets at December 31 of year shown</b>	<b>\$ 2.12</b>	\$ 2.01	\$ 2.61	\$ 2.85	\$ 2.44

(1) 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.

(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 or units of the Fund, or both.

## MANAGEMENT REPORT OF FUND PERFORMANCE

### RATIOS AND SUPPLEMENTAL DATA

For the Years Ended	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16	31-Dec-15
<b>Total net asset value (\$ 000's) <sup>(1)</sup></b>	<b>\$ 7,468</b>	\$ 7,758	\$ 11,025	\$ 13,173	\$ 12,305
Number of units outstanding (000's) <sup>(1)</sup>	<b>3,526</b>	3,861	4,218	4,619	5,041
Management expense ratio <sup>(2)</sup>	<b>4.45%</b>	4.44%	1.90%	2.89%	3.98%
Trading expense ratio <sup>(3)</sup>	<b>0.07%</b>	0.07%	0.06%	0.11%	0.35%
Portfolio turnover ratio <sup>(4)</sup>	<b>9.06%</b>	14.25%	23.13%	22.92%	31.52%
Net asset value per unit	<b>\$ 2.12</b>	\$ 2.01	\$ 2.61	\$ 2.85	\$ 2.44
Closing market price	<b>\$ 1.71</b>	\$ 1.62	\$ 2.05	\$ 2.23	\$ 2.05

(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.

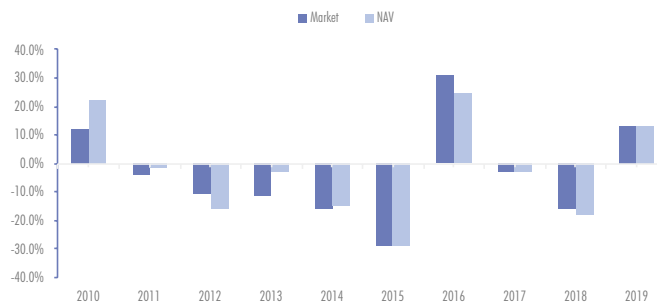
### PAST PERFORMANCE

The Fund's performance numbers represent the annual compound total returns over the period indicated to December 31, 2019 (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 or 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. 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, 2019 was 13.30% measured in terms of its NAV. The total return of the market price per Unit of the Fund for the year ended December 31, 2019 was 13.39%.

#### Year By Year Returns



The Fund commenced operations as of October 2005. For 2019 and prior years, this represents the annual return, unadjusted for the exercise of warrants, for the twelve-month period ended December 31.

### 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, 2019. 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	10-Year	Since Inception
Energy Income Fund (Market Price)	13.39%	(2.28%)	(2.85%)	(4.64%)	(3.23%)
Energy Income Fund (Net Assets)	13.30%	(4.49%)	(5.49%)	(4.68%)	(2.59%)
S&P/TSX Capped Energy Index <sup>(1)</sup>	5.86%	(12.90%)	(7.97%)	(6.87%)	(4.92%)

(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, 2019

Total Net Assets: \$7,468,117

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](http://www.artemisfunds.ca).

Portfolio by Sector	% of Aggregate NAV
Canadian Equities	
Oil & Gas Corporations	60.60%
Utilities	13.50%
Materials	6.70%
Total Canadian Equities	80.80%
International Equities (U.S., U.K.)	18.70%
Other Assets, Net of Liabilities	0.50%
<b>Total Net Assets</b>	<b>100.00%</b>

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

As at December 31, 2019

Parkland Fuel Corp.	12.40%	AltaGas Ltd.	5.20%
Enbridge Inc.	12.10%	Enbridge Inc. 4.0% Preferred Series 1	4.20%
Brookfield Renewable Energy Partners LP	11.50%	Husky Energy Inc.	1.70%
Pembina Pipeline Corp.	9.80%	Whitecap Resources Inc.	1.70%
Exxon Mobil Corp.	7.20%	Enbridge Inc. 4.90% Preferred Series 19	1.60%
Algonquin Power & Utilities Corp.	6.90%	Other assets, net of liabilities	0.50%
Teck Resources Ltd.	6.70%	<b>% of Total Net Assets</b>	<b>100.00%</b>
Northland Power Inc.	6.60%		
Vermilion Energy Inc.	6.00%		
Suncor Energy Inc.	5.90%		

## MANAGEMENT REPORT OF FUND PERFORMANCE

---

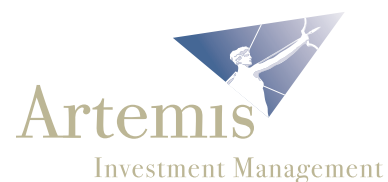
### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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 of

# ENERGY INCOME FUND

Years ended December 31, 2019 and 2018





**KPMG LLP**  
Bay Adelaide Centre  
333 Bay Street Suite 4600  
Toronto ON M5H 2S5  
Canada

Tel (416) 777-8500  
Fax (416) 777-8818

## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Energy Income Fund

### *Opinion*

We have audited the financial statements of Energy Income Fund (the Fund), which comprise:

- the statements of financial position as at December 31, 2019 and 2018
- the statements of comprehensive income (loss) for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### *Other Information*

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance to be filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is James Loewen

Toronto, Canada  
March 23, 2020

## STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

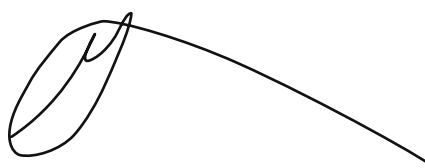
	2019	2018
<b>Assets</b>		
Financial assets at fair value through profit or loss (note 4)	\$ 7,431,003	\$ 7,467,632
Cash	175,821	405,978
Dividends receivable	21,335	22,950
Other receivables	2,961	23,674
	<u>7,631,120</u>	<u>7,920,234</u>
<b>Liabilities</b>		
Distributions payable	35,261	38,613
Management fees and investment management fees payable (note 8)	7,106	8,908
Accounts payable and accrued liabilities (note 8)	120,636	114,293
	<u>163,003</u>	<u>161,814</u>
<b>Net assets attributable to holders of redeemable units</b>	<u>\$ 7,468,117</u>	<u>\$ 7,758,420</u>
<b>Number of redeemable units outstanding (note 7)</b>	<u>3,526,102</u>	<u>3,861,345</u>
<b>Net assets attributable to holders of redeemable units per unit</b>	<u>\$ 2.12</u>	<u>\$ 2.01</u>

See accompanying notes to financial statements.

On behalf of Energy Income Fund by  
the Board of Directors of Artemis  
Investment Management Limited:



Trevor Maunder  
Director



Gavin Swartzman  
Director

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2019 and 2018

	2019	2018
<b>Income:</b>		
Dividends	\$ 372,209	\$ 455,847
Interest income for distribution purposes	3,589	4,855
Foreign exchange gain on cash	190	3,003
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss on sale of investments	(143,711)	(46,663)
Change in unrealized appreciation (depreciation) in value of investments	1,013,689	(1,949,657)
	<u>1,245,966</u>	<u>(1,532,615)</u>
<b>Expenses:</b>		
Administrative (note 8)	80,092	91,872
Management fees (note 8)	74,893	93,866
Custody, valuation and transfer fees	46,299	46,192
Investment management fees (note 8)	42,796	53,638
Unitholder servicing	41,870	57,650
Audit and review fees	35,365	50,138
Independent review committee fees	29,919	30,083
Portfolio transaction costs (note 9)	5,426	7,432
Regulatory and listing	5,000	19,900
Legal fees	5,000	10,000
Interest	167	—
	<u>366,827</u>	<u>460,771</u>
Operating profit (loss) before taxes	879,139	(1,993,386)
Withholding taxes/reclaims	(4,508)	(4,186)
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations</b>	<u>\$ 874,631</u>	<u>\$ (1,997,572)</u>
<b>Weighted average number of units outstanding</b>	<u>3,852,556</u>	<u>4,194,555</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit <sup>(1)</sup></b>	<u>\$ 0.23</u>	<u>\$ (0.48)</u>

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

See accompanying notes to financial statements.

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

Years ended December 31, 2019 and 2018

	2019	2018
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	\$ 7,758,420	\$ 11,025,567
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations</b>	874,631	(1,997,572)
<b>Redeemable unit transactions (note 7):</b>		
Reinvested distributions	17,931	18,140
Redemption of redeemable units	(725,698)	(788,266)
	(707,767)	(770,126)
<b>Distributions to holders of redeemable units:</b>		
Return to holders of redeemable units	(457,167)	(499,449)
<b>Net decrease in net assets attributable to holders of redeemable units for the year</b>	(290,303)	(3,267,147)
<b>Net assets attributable to holders of redeemable units, end of year</b>	\$ 7,468,117	\$ 7,758,420
<b>Distributions per unit</b>	\$ 0.12	\$ 0.12

See accompanying notes to financial statements.



## STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	2019	2018
<b>Cash flows from (used in) operating activities:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 874,631	\$ (1,997,572)
Adjustments for:		
Net realized loss on sale of investments	143,711	46,663
Portfolio transaction costs	5,426	7,432
Foreign exchange gain on cash	(190)	(3,003)
Change in unrealized depreciation (appreciation) in value of investments	(1,013,689)	1,949,657
Purchases of investments	(736,436)	(1,452,887)
Proceeds from sale of investments	1,637,617	2,510,596
Decrease in dividends receivable	1,615	4,850
Decrease in other receivables	20,713	19,674
Decrease in management fees and investment management fees payable	(1,802)	(1,687)
Increase in accounts payable and accrued liabilities	6,343	74,058
	<u>937,939</u>	<u>1,157,781</u>
<b>Cash flows used in financing activities:</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(442,588)	(484,879)
Amounts paid for redeemable units redeemed	(725,698)	(788,266)
	<u>(1,168,286)</u>	<u>(1,273,145)</u>
<b>Foreign exchange gain on cash</b>	<u>190</u>	<u>3,003</u>
Net decrease in cash	(230,157)	(112,361)
Cash, beginning of year	405,978	518,339
Cash, end of year	<u>\$ 175,821</u>	<u>\$ 405,978</u>
<b>Supplemental information:</b>		
Dividends received, net of withholding taxes	\$ 373,824	\$ 460,697
Interest received, net of withholding taxes	3,589	4,855
Interest paid	<u>(167)</u>	<u>—</u>

See accompanying notes to financial statements.

## SCHEDULE OF INVESTMENTS

December 31, 2019

Number of shares	Investments owned	Average cost	Fair value	% of net assets
<b>CANADIAN EQUITIES</b>				
<b>Oil and gas corporations:</b>				
19,667	AltaGas Ltd.	\$ 658,436	\$ 389,013	5.2
17,479	Enbridge Inc.	867,376	902,441	12.1
11,563	Enbridge Inc. 4.0% Preferred Series 1	366,304	316,080	4.2
4,774	Enbridge Inc. 4.90% Preferred Series 19	119,350	119,111	1.6
12,232	Husky Energy Inc.	211,981	127,457	1.7
19,234	Parkland Fuel Corp.	496,243	917,654	12.4
15,208	Pembina Pipeline Corp.	425,900	731,961	9.8
10,434	Suncor Energy Inc.	443,856	444,071	5.9
21,238	Vermilion Energy Inc.	860,305	450,883	6.0
23,393	Whitecap Resources Inc.	132,606	129,831	1.7
		4,582,357	4,528,502	60.6
<b>Materials:</b>				
22,303	Teck Resources Ltd.	455,300	502,264	6.7
<b>Utilities:</b>				
28,038	Algonquin Power & Utilities Corp.	382,999	515,058	6.9
18,158	Northland Power Inc.	410,175	493,898	6.6
		793,174	1,008,956	13.5
	<b>TOTAL CANADIAN EQUITIES</b>	5,830,831	6,039,722	80.8
<b>U.S. EQUITIES</b>				
5,954	Exxon Mobil Corp.	637,953	538,760	7.2
	<b>TOTAL U.S. EQUITIES</b>	637,953	538,760	7.2
<b>INTERNATIONAL EQUITIES</b>				
14,138	Brookfield Renewable Energy Partners LP	321,390	852,521	11.5
	<b>TOTAL INTERNATIONAL EQUITIES</b>	321,390	852,521	11.5
	Transaction costs	(10,899)		
	<b>Total investments</b>	<u>\$ 6,779,275</u>	7,431,003	99.5
	<b>Other assets, net of liabilities</b>		37,114	0.5
	<b>Total net assets attributable to holders of redeemable units</b>		<u>\$ 7,468,117</u>	100.0

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

---

## 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, Energy Plus Income Trust and CGF Resource 2008 Flow Through LP. The address of the Fund’s registered office is 1325 Lawrence Avenue East, Suite 200, Toronto, ON, M3A 1C6, Canada.

### (b) Description of the Fund:

The Fund is a closed-end investment trust. Artemis Investment Management Limited (“Artemis” or the “Manager”) is the investment fund 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”).

The financial statements were authorized for issue by the Manager on March 23, 2020.

## 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. The benchmark index is the S&P/TSX Capped Energy Trust 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 (loss).

As of December 31, 2019, the Fund had non-capital losses of approximately \$988,606 (2018 — \$988,606) that will start to expire in 2033, and capital losses of approximately \$21,275,039 (2018 — \$21,127,048). Capital losses can be carried forward indefinitely and offset against capital gains in future years.

## 4. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”).

### (a) Cash:

Cash includes cash at bank and cash equivalents.

### (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 classified as and 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

## NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

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.

### **(i) Classification and measurement:**

Classification and measurement categories under IFRS 9, Financial Instruments ("IFRS 9") are amortized cost, fair value through other comprehensive income ("FVOCI"), and FVTPL. To determine the appropriate classification and measurement category, IFRS 9 requires an entity to consider the business model for managing financial instruments and the contractual cash flow characteristics associated with the financial instruments.

The Fund's business model is one in which financial assets are managed with the objective of realizing cash flows through the sale of assets. Decisions are made based on the assets' fair values and assets are managed to realize these fair values. This business model is aligned with a FVTPL classification and measurement category. The Fund measures at FVTPL all financial assets currently held at fair value. Debt securities are measured at FVTPL under IFRS 9 as the Fund does not hold the assets to collect contractual cash flows based on their business model. Collection of the contractual cash flows is not integral to achieving the Fund's business model objective but is instead incidental to it.

Loans as well as trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, these continue to be measured at amortized cost under IFRS 9.

### **(ii) Impairment:**

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized costs or FVOCI. Financial assets held by the Fund, which are measured at FVTPL, are not subject to impairment requirements.

With respect to loans and receivables, the Fund considers both historical analysis and forward looking information in determining any expected credit loss. As at the financial statement date, all loans and receivables are due to be settled within the short term. The Fund considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Fund to credit risk, no loss allowance has been recognized as any such impairment does not have a significant impact on the financial statements.

### **(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. 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; and
- (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:**

The functional and presentation currency of the Fund is the Canadian dollar.

## NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

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, and 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 loss on sale of investments and change in unrealized appreciation (depreciation) in value of investments in the statements of comprehensive income (loss).

### **(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, 2019 and 2018, the Fund had no securities on loan.

### **(h) Increase (decrease) in net assets attributable to holders of redeemable Units from operations per Unit:**

Increase (decrease) in net assets attributable to holders of redeemable Units from operations per Unit represents the net increase (decrease) in net assets attributable to holders of redeemable Units from operations divided by the average Units outstanding during the years.

## **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.

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) Business model assessment:**

The Fund considered its business model for managing financial instruments and the contractual cash flow characteristics associated with the financial instruments and concluded that collection of the contractual cash flows is not integral to achieving the Fund's business model objective. Respectively, the Fund measures all investments at FVTPL and all other financial assets and liabilities at amortized cost under IFRS 9.

## NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

### 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, 2019 and 2018:

2019	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Equities	\$ 7,431,003	\$ —	\$ —	\$ 7,431,003

2018	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Equities	\$ 7,467,632	\$ —	\$ —	\$ 7,467,632

There were no transfers between levels during the years ended December 31, 2019 and 2018.

All fair value measurements above are recurring. The carrying values of cash, dividends receivable, other receivables, distributions payable, management fees and investment management fees payable and accounts payable and accrued liabilities approximate 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.

As of December 31, 2019 and 2018, the Fund had no securities that were classified as Level 3 financial instruments.

### 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 Units entitle unitholders the right to redeem their interest in the Fund for cash equal to their proportionate share of the NAV of the Fund, amongst other contractual rights. These redeemable Units 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.

## NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

The following Unit transactions took place during the years ended December 31, 2019 and 2018:

### (b) Units issued and outstanding:

	2019	2018
Units, beginning of year	3,861,345	4,218,273
Issued under distribution reinvestment plan ("DRIP")	10,691	9,434
Units redeemed	(345,934)	(366,362)
Units, end of year	3,526,102	3,861,345

### (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 Fund did not repurchase any Units for cancellation during the years ended December 31, 2019 and 2018.

Unitholders are entitled to retract their Units outstanding on the last business day of each month at an amount equal to (a) the lesser of: (i) 90% of the weighted average trading price of a Unit on the TSX during the preceding 15 trading days and (ii) the closing market price on the TSX on that day, less (b) any retraction costs.

Unitholders are also entitled to retract their Units outstanding on the second to 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 an annual redemption in November 2019, 345,934 Units (2018 – 366,362) were redeemed in the amount of \$725,698 (2018 – \$788,266).

### (d) Distribution reinvestment plan:

Units issued under the DRIP program will be issued at a 5% discount to the applicable 5-day volume-weighted average trading price of the Units. As a result, unitholders participating in the plan will be acquiring Units at a discount to the market price of the Fund's Units.

## 8. RELATED PARTY TRANSACTIONS:

The Fund is responsible for all expenses incurred on its behalf. Artemis generally has all expenses incurred by the Fund paid directly by the Fund.

The Manager is entitled to receive 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, 2019, management fees totaled \$74,893 (2018 – \$93,866), of which \$4,522 was payable as at December 31, 2019 (2018 – \$5,669).

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, 2019, investment management fees totaled \$42,796 (2018 – \$53,638), of which \$2,584 was payable at December 31, 2019 (2018 – \$3,239).

Administrative expenses for the year ended December 31, 2019 totaled \$80,092 (2018 – \$91,872). As part of these expenses, the Fund pays a general overhead cost to Artemis. Artemis receives \$5,000 per month plus applicable taxes to cover related administrative salaries, employee benefits, general overhead, and office supplies.

## NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

For redemptions or repurchases, the Manager is entitled to receive a fee per Unit of 5% of the NAV per Unit plus applicable taxes. For the year ended December 31, 2019, fees in the amount of \$36,277 (2018 — \$39,413) were paid to the Manager.

### 9. PORTFOLIO TRANSACTION COSTS:

For the year ended December 31, 2019, the Fund incurred portfolio transaction costs of \$5,426 (2018 — \$7,432) of which soft dollar commissions were \$3,599 (2018 — \$4,493). These costs are recorded separately in the statements of comprehensive income (loss) as an expense for the year.

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

The most significant exposure to market risk is from equity securities. As at December 31, 2019, had the prices on the benchmark index raised (lowered) by 5%, with all other variables held constant, net assets attributable to holders of redeemable Units would have increased (decreased) by approximately \$203,156 (3% of NAV) (2018 — \$206,771, 2.7% of NAV). In practice, the actual results may differ and the difference could be material. The benchmark index is the S&P/TSX Capped Energy Trust Index.

#### (b) Foreign currency risk:

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

As at December 31, 2019, the Fund invested approximately 13.2% (2018 — 13.5%) of the net assets in U.S. currency. As at December 31, 2019, if the Canadian dollar had strengthened (weakened) by 5%, with all other variables held constant, net assets attributable to holders of redeemable Units would have decreased (increased) by \$49,189 (0.7% of NAV) (2018 — \$52,192, 0.7% of NAV). In practice, the actual results may differ and the difference could be material.

#### (c) Interest rate risk:

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

As at December 31, 2019, the Fund had approximately 100% of the investment portfolio in equity securities (2018 — 100%). Cash and short-term investments earn minimal interest. As at December 31, 2019 and 2018, the majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk.



## NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

### (d) Credit risk:

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

The fair value of debt securities includes consideration of the creditworthiness 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 as at December 31, 2019 (2018 — AA) based on DBRS (originally known as Dominion Bond Rating Service) ratings. The Manager monitors the financial position on a quarterly basis. As at December 31, 2019 and 2018, the Fund had no significant exposure to credit risk.

### (e) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial obligations. The Fund is exposed to a monthly redemption of Units at which time the Units of the Fund are redeemed at the current transactional net assets per Unit. Liquidity risk is managed by investing the Fund's assets in investments that can be readily disposed of.

The Fund's liquid investments are considered to be in excess of the redemption requirements. Therefore, as at December 31, 2019 and 2018, 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 net assets	
Sector	2019	2018
Canadian equities:		
Oil and gas corporations	60.6	51.6
Materials	6.7	9.6
Utilities	13.5	13.5
U.S. equities	7.2	7.9
International equities	11.5	6.8
Exchange traded funds	—	6.9
Other assets, net of liabilities	0.5	3.7
Total	100.0	100.0

## 11. CAPITAL MANAGEMENT:

The Fund's capital is its net assets attributable to holders of redeemable Units. The Manager maintains the Fund's capital in accordance with its investment objectives, strategies and restrictions as detailed in the amended and restated Declaration of Trust as of March 7, 2014.

## NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

---

### 12. INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2019, the Fund did not hold any Exchange Traded Funds ("ETF"). As of December 31, 2018, the Fund held an ETF with a fair value of \$532,114. The Fund did not control or have significant influence in the ETF.

### 13. RECENT DEVELOPMENTS:

#### **Monthly distributions for 2020:**

On January 15, 2020, the Fund announced distributions for 2020 of \$0.01 per Unit per month. Unitholders of record on the last day of each month of 2020 would be paid distributions on the 15th day (or first business day thereafter) of the ensuing month.

### 14. SUBSEQUENT EVENT:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Manager will continue to monitor the impact COVID-19 has on the Fund's investments and reflect the consequences as appropriate in the Fund's accounting and reporting.

## CORPORATE INFORMATION

---

### MANAGER/TRUSTEE

#### **Artemis Investment Management Limited**

1325 Lawrence Avenue East, Suite 200

Toronto, Ontario M3A 1C6

Telephone: 416-934-7455

Fax: 416-934-7459

Website: [www.artemisfunds.ca](http://www.artemisfunds.ca)

Email: [info@artemisfunds.ca](mailto:info@artemisfunds.ca)

### PORTFOLIO ADVISOR

#### **Vestcap Investment Management Inc.**

Commerce Court West

199 Bay Street, Suite 2902

Toronto, Ontario M5L 1G5

### AUDITOR

#### **KPMG LLP**

Bay Adelaide Centre

333 Bay Street, Suite 4600

Toronto, Ontario M5H 2S5

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Energy Income Fund Units: **ENI.UN**

### INDEPENDENT REVIEW COMMITTEE

Peter Chodos

John Mills

Michael Newman

### DIRECTORS OF THE MANAGER/TRUSTEE

Trevor Maunder — Director

Gavin Swartzman — Director

### OFFICERS OF THE MANAGER/TRUSTEE

Trevor Maunder — Chief Executive Officer,

Chief Financial Officer and Secretary

Sean Lawless — Chief Compliance Officer

### CUSTODIAN

#### **RBC Investor Services Trust**

155 Wellington Street West, 2<sup>nd</sup> Floor

Toronto, Ontario M5V 3L3

### TRANSFER AGENT

#### **TSX Trust Company**

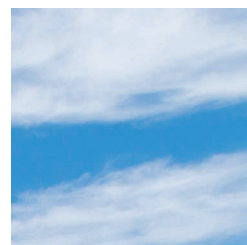
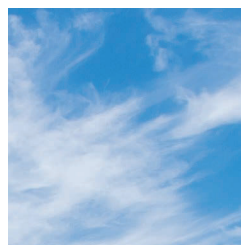
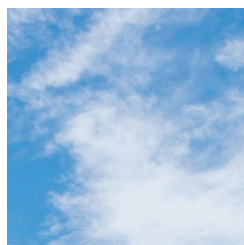
301-100 Adelaide Street West

Toronto, Ontario M5H 4H1



# Artemis

## Investment Management



1325 Lawrence Avenue E., Suite 200, Toronto, ON M3A 1C6

T: (416) 934-7455 F: (416) 934-7459

[artemisfunds.ca](http://artemisfunds.ca)

