



# Artemis

Investment Management



## CITADEL INCOME FUND

SEMI-ANNUAL REPORT

JUNE 30, 2021



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# MANAGEMENT REPORT OF FUND PERFORMANCE

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## MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Citadel Income Fund (the “Fund”) contains financial highlights but does not contain either the interim financial statements or annual financial statements of the Fund. You may obtain a copy of either the interim or annual financial statements at your request and 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 SEDAR 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 CTF.UN. The Fund’s portfolio is managed by Vestcap Investment Management Inc. (the “Portfolio Advisor”).

## INVESTMENT OBJECTIVES AND STRATEGIES

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

## RISKS

There are a number of risks associated with an investment in the 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 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 Portfolio Advisor of the securities held in the portfolio may reduce these risks.

There were no changes in the period ended June 30, 2021 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 30, 2021 on the Fund’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## RESULTS OF OPERATIONS

The NAV of the Fund increased from \$53.38 million to \$56.78 million from January 1, 2021 to June 30, 2021. Total revenue per Unit for the Fund period ended June 30, 2021 was \$0.028, compared to \$0.082 for the same period in 2020. Operations for the period resulted in an increase in NAV per Unit of \$0.329 compared to a decrease of \$0.313 for 2020.

Total administrative expenses for the period ended June 30, 2021 were \$0.019 per Unit compared to \$0.018 for the same period in 2020. Management fees for the period increased to \$0.024 per Unit (2020 – \$0.021). Investment management fees for the period increased to \$0.008 per Unit (2020 – \$0.007). On a per Unit basis, the increase in management fees and investment management fees was due to an increase in the average weighted NAV and decrease in average weighted number of units outstanding of the Fund between both periods. Excluding the expenses discussed above, all other expenses of the Fund for the period ended June 30, 2021 were \$0.016 per Unit (2020 – \$0.012).

# MANAGEMENT REPORT OF FUND PERFORMANCE

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Over the first six months of 2021, the S&P/TSX Composite Index had a total return of 17.3% while the S&P 500 had a total return of 12.2% (in Canadian dollar terms) as the global economy began digesting the long-term impacts of the COVID-19 induced recession. Rates on the US 10-year Treasury Note skyrocketed from 0.91% to 1.74% before settling into a much more reasonable 1.45% by the end of June. This level of volatility within one of the most traditionally safe asset classes underscores the heightened level of uncertainty about how the world will emerge from this crisis. While most of the broad-based North American equity indices continue to rally, the macro economic outlook remains nebulous with many conflicting data points regarding traditional measures of inflation like CPI and PCE, as well as various employment metrics, like the US Unemployment figures vs non-farm payrolls, that suggest the stock market might be getting ahead of the underlying global economics. While many sectors are poised to continue their rallies, many companies of lower quality have also seen dramatic increases in stock prices. Overall, the Fund has benefitted from its move to a more diverse Portfolio and is well-positioned to benefit over the long-term by investing in companies with outstanding capital allocators with demonstrated track records of performance excellence.

The NAV per Unit, after distributions to Unitholders, increased 6.00% for the period ended June 30, 2021. During the period, the Fund paid total cash distributions of \$0.06 per Unit.

There were no unusual trends in redemptions for the period ended June 30, 2021 with no redemptions occurring over the period.

## TRADING PREMIUM/DISCOUNT

For the period ended June 30, 2021, the Fund traded at an average discount to its NAV per Unit of 27.79%, compared to an average discount of 27.85% for the same period in 2020.

## RECENT DEVELOPMENTS

### Monthly distribution for 2021

On January 20, 2021, the Fund announced distributions for 2021 of \$0.01 per Unit per month. Unitholders of record, on the last day of each month of 2021, have been or will be paid cash distributions of \$0.01 on the 15th day (or first business date thereafter) of the ensuing month.

### 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 public float as determined on November 30, 2020 was 12,333,036 Units and 10% of the public float was 1,233,304 Units. From January 1, 2021 to June 30, 2021, the Fund did not repurchase any Units for cancellation.

## RELATED PARTY TRANSACTIONS

The Manager is entitled to receive a management fee of 1.00% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. For the period ended June 30, 2021, management fees totaled \$296,796 (2020 – \$292,039), of which \$56,525 was payable as at June 30, 2021 (2020 – \$53,061).

The Portfolio Advisor receives a fee of 0.33% 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 period ended June 30, 2021, investment management fees totaled \$97,946 (2020 – \$96,373), of which \$18,653 was payable at June 30, 2021 (2020 – \$17,510).

Administrative expenses for the period ended June 30, 2021 totaled \$239,624 (2020 – \$245,475). As part of these expenses, the Fund pays a general overhead cost to Artemis of \$35,000 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 plus applicable taxes. For the period ended June 30, 2021 redemption fees were nil (2020 – \$3,680) of which was nil payable as at June 30, 2021 (2020 – 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)(2)</sup>

For the Period Ended	30-Jun-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
<b>Net Assets, beginning of year</b>	<b>\$ 4.33</b>	\$ 4.19	\$ 4.02	\$ 4.60	\$ 4.52	\$ 3.88
<b>Increase (decrease) from operations:</b>						
total revenue	<b>0.03</b>	0.12	0.11	0.17	0.13	0.05
total expenses (excluding distributions)	<b>(0.07)</b>	(0.12)	(0.12)	(0.12)	(0.11)	(0.10)
realized gains (losses)	<b>0.08</b>	0.00	0.45	0.04	0.33	0.25
unrealized gains (losses)	<b>0.29</b>	0.25	(0.15)	(0.54)	(0.16)	0.56
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$ 0.33</b>	\$ 0.25	\$ 0.29	\$(0.45)	\$ 0.20	\$ 0.76
<b>Distributions:</b>						
From net Investment Income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	–	–
From capital gains	–	–	0.47	–	0.24	–
Return of capital	<b>0.06</b>	0.12	–	0.12	0.01	0.12
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>0.06</b>	0.12	0.47	0.12	0.25	0.12
<b>Net assets as at end of each period shown</b>	<b>\$ 4.59</b>	\$ 4.33	\$ 4.19	\$ 4.02	\$ 4.60	\$ 4.52

(1) This information is derived from the Fund's audited annual financial statements. The net assets per Unit presented in the financial statements differs from the net asset value per Unit calculated for fund pricing purposes because of the provisions of CPA Handbook Section 3855. An explanation of the differences can be found in the Notes to the Financial Statements.

(2) 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.

(3) 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.

(4) Distributions were paid in cash or units of the Fund, or both.

# MANAGEMENT REPORT OF FUND PERFORMANCE

## RATIOS AND SUPPLEMENTAL DATA

For the Period Ended	30-Jun-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Total net asset value (\$ 000's) <sup>(1)</sup>	\$ 56,786	\$ 53,380	\$ 57,323	\$ 60,914	\$ 77,213	\$ 84,007
Number of units outstanding (000's) <sup>(1)</sup>	12,363	12,335	13,681	15,144	16,769	18,576
Management expense ratio <sup>(2)</sup>	2.86%	2.80%	2.58%	2.74%	2.26%	2.31%
Trading expense ratio <sup>(3)</sup>	0.26%	0.10%	0.16%	0.05%	0.09%	0.11%
Portfolio turnover ratio <sup>(4)</sup>	308.60%	65.49%	111.11%	12.57%	47.29%	40.06%
Net asset value per unit	\$ 4.59	\$ 4.33	\$ 4.19	\$ 4.02	\$ 4.60	\$ 4.52
Closing market price	\$ 3.25	\$ 2.83	\$ 3.23	\$ 3.12	\$ 3.52	\$ 3.48

(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 1.00% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. The Portfolio Advisor receives a fee of 0.33% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly, in exchange for providing investment management services.

## PAST PERFORMANCE

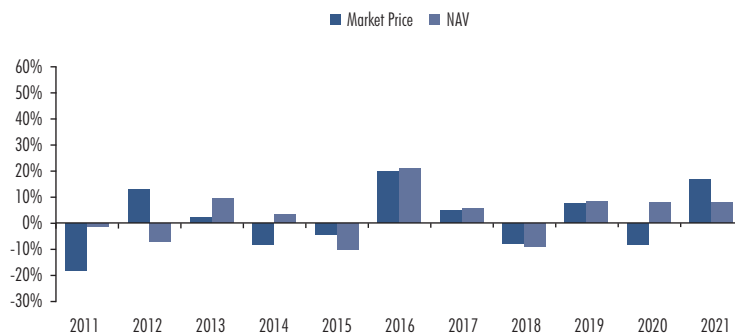
The Fund's performance numbers represent the annual compound total returns over the period indicated to June 30, 2021 (except for returns of less than one year which are compounded total returns). Total returns are based upon both the Fund's change in market price or net assets per Unit plus the reinvestment 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 period ended June 30, 2021 was 8.14% measured in terms of its NAV. The total return of the market price per Unit of the Fund for the period ended June 30, 2021 was 17.15%

The following chart shows the Fund's performance as at the date shown, and illustrates how the Fund's performance has changed. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each period.

### Year By Year Returns



The Fund commenced operations as of May 2004. For 2020 and prior years, this represents the annual return, unadjusted for the exercise of warrants, for the twelve-month period ended December 31.



# MANAGEMENT REPORT OF FUND PERFORMANCE

## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2021

Total Net Assets: \$56,785,574

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	
Materials	1.4%
Telecommunications	1.1%
Industrial	1.2%
Information technology	4.1%
Financial services	3.0%
Real estate	2.2%
Consumer goods and services	3.8%
Utilities	4.9%
Exchange traded funds	5.9%
Total Canadian Equities	27.6%
International Equities (U.S. & Others)	71.4%
Other Assets, Net of Liabilities	1.0%
<b>Total Net Assets</b>	<b>100.0%</b>

### TOP 25 HOLDINGS (as a % of Total NAV of the Fund)

As at June 30, 2021

Tesla Inc.	9.63%	Converge Technology Solutions Corp.	1.85%
Microsoft Corp.	3.77%	Best Buy Co., Inc.	1.85%
NVIDIA Corp.	3.51%	Dollar General Corp.	1.84%
Netflix Inc.	2.53%	Alphabet Inc.	1.79%
BMO Premium Yield ETF	2.43%	Advanced Micro Devices Inc.	1.75%
Loblaw Companies Ltd.	2.41%	T. Rowe Price Group, Inc.	1.74%
Domino's Pizza Inc.	2.38%	T-Mobile US Inc.	1.71%
Activision Blizzard Inc.	2.33%	Shopify Inc.	1.60%
Amazon.com Inc.	2.28%	QUALCOMM Inc.	1.60%
Apple Inc.	2.26%	Bristol-Myers Squibb Co.	1.55%
Horizons Active Preferred Share ETF	2.06%	Algonquin Power & Utilities Corp.	1.52%
Moderna Inc.	1.96%	Fortis Inc.	1.49%
Walmart Inc.	1.92%	<b>% of Total Net Assets</b>	<b>59.78%</b>

# MANAGEMENT REPORT OF FUND PERFORMANCE

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## 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

# CITADEL INCOME FUND

For the six-month period ended June 30, 2021 (unaudited)



## Management's Responsibility for Financial Reporting

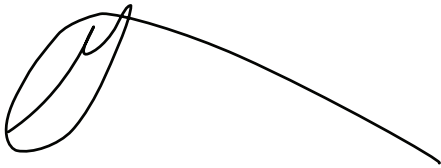
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The interim financial statements of Citadel Income Fund (the "Fund") have been prepared by Artemis Investment Management Limited ("Artemis"). Artemis is responsible for the information and representations contained in these financial statements and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

Artemis maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The significant accounting policies applicable to the Fund are described in Note 4 to the financial statements.

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

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



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Gavin Swartzman  
Director



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Trevor Maunder  
Director

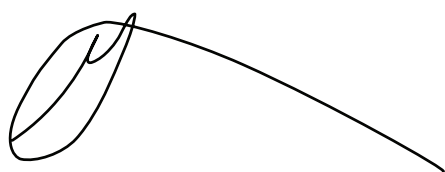
# STATEMENTS OF FINANCIAL POSITION

As at June 30, 2021 (unaudited) and December 31, 2020 (audited)

	2021	2020
<b>Assets</b>		
Financial assets at fair value through profit or loss (note 4)	\$ 56,240,834	\$ 50,052,349
Cash	732,707	3,586,691
Dividends receivable	59,582	63,241
Other receivables	40,073	29,933
	<u>57,073,196</u>	<u>53,732,214</u>
<b>Liabilities</b>		
Distributions payable	123,631	123,349
Management fees and investment management fees payable (note 8)	75,178	78,647
Accounts payable and accrued liabilities (note 8)	88,813	149,951
	<u>287,622</u>	<u>351,947</u>
<b>Net assets attributable to holders of redeemable units</b>	<u>\$ 56,785,574</u>	<u>\$ 53,380,267</u>
<b>Number of redeemable units outstanding (note 7)</b>	<u>12,363,097</u>	<u>12,334,869</u>
<b>Net assets attributable to holders of redeemable units per unit</b>	<u>\$ 4.59</u>	<u>\$ 4.33</u>

See accompanying notes to the financial statements.

Approved on behalf of Citadel Income Fund by the  
Board of Directors of Artemis  
Investment Management Limited:



Gavin Swartzman  
Director



Trevor Maunder  
Director

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the six-month period ended June 30 (unaudited)

	2021	2020
<b>Income</b>		
Dividends	\$ 404,265	\$ 942,607
Interest income for distribution purposes	–	13,095
Foreign exchange gain (loss)	(63,183)	162,397
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	1,044,206	1,391,416
Change in unrealized appreciation (depreciation) on investments	3,530,063	(5,964,108)
<b>Total net income (loss)</b>	<b>4,915,351</b>	<b>(3,454,593)</b>
<b>Expenses</b>		
Management fees (note 8)	296,796	292,039
Administrative (note 8)	239,624	245,475
Investment management fees (note 8)	97,946	96,373
Unitholder servicing fees	28,558	32,440
Custody, valuation and transfer fees	13,150	19,747
Audit and review fees	25,962	24,932
Regulatory and listing fees	14,876	14,959
Independent review committee fees	14,876	14,959
Legal fees	30,083	20,980
Interest	4,596	582
Portfolio transaction costs (note 10)	69,744	32,368
	<u>836,211</u>	<u>794,854</u>
<b>Operating profit (loss) before tax</b>	<b>4,079,140</b>	<b>(4,249,447)</b>
<b>Withholding taxes/reclaims</b>	<b>(17,548)</b>	<b>(37,891)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations</b>	<b>\$ 4,061,592</b>	<b>\$ (4,287,338)</b>
<b>Weighted average number of units outstanding</b>	<b>12,348,959</b>	<b>13,682,660</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit <sup>(1)</sup></b>	<b>\$ 0.33</b>	<b>\$ (0.31)</b>

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

See accompanying notes to the financial statements.

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

For the six-month period ended June 30 (unaudited)

	2021	2020
<b>Net assets attributable to holders of redeemable units, beginning of period</b>	\$ 53,380,267	\$ 57,322,675
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations</b>	4,061,592	(4,287,338)
<b>Redeemable unit transactions (note 7)</b>		
Reinvested distributions	84,810	77,359
Redemption of redeemable units	—	(62,249)
	84,810	15,110
<b>Distributions to holders of redeemable units</b>		
Return to holders of redeemable units	(741,095)	(820,921)
	(741,095)	(820,921)
<b>Net increase (decrease) in net assets attributable to holders of redeemable units for the period</b>	3,405,307	(5,093,149)
<b>Net assets attributable to holders of redeemable units, end of period</b>	\$ 56,785,574	\$ 52,229,526
<b>Distributions per unit</b>	\$ 0.06	\$ 0.06

See accompanying notes to the financial statements.

# STATEMENTS OF CASH FLOWS

For the six-month period ended June 30 (unaudited)

	2021	2020
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	\$ 4,061,592	\$ (4,287,338)
Adjustments for:		
Net realized gain on sale of investments	(1,044,206)	(1,391,416)
Portfolio transaction costs	69,744	32,368
Foreign exchange (gain) loss on cash	63,183	(162,397)
Change in unrealized (appreciation) depreciation in value of investments	(3,530,063)	5,964,108
Purchases of investments	(56,563,017)	(23,108,010)
Proceeds from sale of investments	54,879,057	25,863,673
Decrease in dividends receivable	3,659	21,028
Increase in other receivables	(10,140)	(12,745)
Decrease in management fees and investment management fees payable	(3,469)	(7,168)
Decrease in accounts payables and accrued liabilities	(61,138)	(63,718)
	<u>(2,134,798)</u>	<u>2,848,385</u>
<b>Cash flows used in financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(656,003)	(743,579)
Amounts paid for redeemable units redeemed	–	(62,249)
	<u>(656,003)</u>	<u>(805,828)</u>
<b>Foreign exchange gain (loss) on cash</b>		
	<u>(63,183)</u>	<u>162,397</u>
Net increase (decrease) in cash	(2,853,984)	2,204,954
Cash, beginning of period	3,586,691	3,892,395
<b>Cash, end of period</b>	<u>\$ 732,707</u>	<u>\$ 6,097,349</u>
<b>Supplemental information</b>		
Dividends received, net of withholding taxes	\$ 390,376	\$ 925,744
Interest received, net of withholding taxes	–	13,095
Interest paid	(4,596)	(582)

See accompanying notes to the financial statements.



## SCHEDULE OF INVESTMENTS

As at June 30, 2021 (unaudited)

<b>Number of shares</b>	<b>Investments owned</b>	<b>Average cost</b>	<b>Fair value</b>	<b>% of net assets</b>
	<b>CANADIAN EQUITIES</b>			
	<b>Materials</b>			
24,408	Hudbay Minerals Inc.	\$ 211,361	\$ 201,366	0.4
20,342	Intertape Polymer Group Inc.	352,938	584,629	1.0
		564,299	785,995	1.4
	<b>Telecommunications</b>			
18,870	Quebecor Inc.	627,343	623,842	1.1
		627,343	623,842	1.1
	<b>Industrial</b>			
6,010	TFI International Inc.	524,804	680,152	1.2
		524,804	680,152	1.2
	<b>Information Technology</b>			
102,700	Converge Technology Solutions Corp.	732,919	1,049,594	1.8
104,932	Photon Control Inc.	378,805	375,657	0.7
502	Shopify Inc.	203,019	910,061	1.6
		1,314,743	2,335,312	4.1
	<b>Financial Services</b>			
3,250	goeasy Ltd.	260,290	515,548	0.9
4,265	National Bank of Canada	315,955	395,664	0.7
3,163	Royal Bank of Canada	332,673	397,241	0.7
4,491	Toronto-Dominion Bank	354,350	390,133	0.7
		1,263,268	1,698,586	3.0
	<b>Real Estate</b>			
29,424	DREAM Unlimited Corp.	695,430	779,148	1.4
5,395	Granite Real Estate Investment Trust	408,394	444,980	0.8
		1,103,824	1,224,128	2.2
	<b>Consumer Goods and Services</b>			
17,968	Loblaw Companies Ltd.	1,299,625	1,370,779	2.4
13,223	Metro Inc.	774,429	785,843	1.4
		2,074,054	2,156,622	3.8
	<b>Utilities</b>			
46,687	Algonquin Power & Utilities Corp.	879,288	862,309	1.5
6,500	Emera Inc.	335,118	365,560	0.6
15,380	Fortis Inc.	811,527	843,901	1.5

As at June 30, 2021 (unaudited)

<b>Number of shares</b>	<b>Investments owned</b>	<b>Average cost</b>	<b>Fair value</b>	<b>% of net assets</b>
18,078	Northland Power Inc.	\$ 623,555	\$ 764,519	1.3
		2,649,488	2,836,289	4.9
	<b>Exchange Traded Funds</b>			
32,821	3iQ CoinShares Ether ETF	677,617	364,641	0.6
60,629	3iQ CoinShares Ether ETF	451,686	433,944	0.8
45,324	BMO Premium Yield ETF	1,356,511	1,381,929	2.4
123,761	Horizons Active Preferred Share ETF	1,107,624	1,172,017	2.1
		3,593,438	3,352,531	5.9
	<b>TOTAL CANADIAN EQUITIES</b>	13,715,261	15,693,457	27.6
	<b>U.S. EQUITIES</b>			
11,179	Activision Blizzard Inc.	1,267,310	1,321,170	2.3
8,555	Advanced Micro Devices Inc.	968,255	995,061	1.8
328	Alphabet Inc.	690,035	1,017,971	1.8
304	Amazon.com Inc.	946,445	1,295,023	2.3
7,575	Apple Inc.	812,428	1,284,700	2.3
7,360	Best Buy Co., Inc.	1,079,357	1,047,913	1.8
10,661	Bristol-Myers Squibb Co.	905,614	882,124	1.6
1,333	Caterpillar Inc.	318,403	359,230	0.6
1,959	Celanese Corp.	394,249	367,754	0.6
24,522	Chimera Investment Corp.	394,159	457,305	0.8
3,908	Dollar General Corp.	1,002,179	1,047,169	1.8
2,335	Domino's Pizza Inc.	1,147,453	1,348,821	2.4
2,919	Eli Lilly & Co.	784,775	829,621	1.5
1,122	Enphase Energy Inc.	266,616	255,130	0.4
6,563	Fifth Third Bancorp	302,131	310,693	0.5
821	Humana Inc.	414,805	450,088	0.8
7,939	Intel Corp.	518,208	551,904	1.0
3,543	Johnson & Johnson	640,020	722,762	1.3
1,690	JPMorgan Chase & Co.	320,206	325,502	0.6
1,026	Lululemon Athletica Inc.	385,025	463,692	0.8
6,380	Microsoft Corp.	1,473,837	2,140,203	3.7
3,829	Moderna Inc.	694,508	1,114,144	2.0
2,902	Morgan Stanley	259,149	329,492	0.6
2,194	Nefflix Inc.	1,400,606	1,435,055	2.5
2,013	NVIDIA Corp.	716,177	1,994,405	3.5
2,218	PayPal Holding Inc.	661,638	800,563	1.4

As at June 30, 2021 (unaudited)

<b>Number of shares</b>	<b>Investments owned</b>	<b>Average cost</b>	<b>Fair value</b>	<b>% of net assets</b>
8,000	Palantir Technologies Inc.	\$ 276,704	\$ 261,132	0.5
2,600	Procter & Gamble Co.	451,396	434,417	0.8
5,124	QUALCOMM Inc.	650,700	906,896	1.6
617	Regeneron Pharmaceuticals Inc.	385,513	426,741	0.8
1,625	Rockwell Automation Inc.	541,417	575,539	1.0
896	Roku Inc.	457,183	509,545	0.9
656	SolarEdge Technologies Inc.	250,232	224,502	0.4
1,733	Square Inc.	512,164	523,188	0.9
5,424	T-Mobile US Inc.	764,502	972,755	1.7
4,037	T. Rowe Price Group, Inc.	866,318	989,654	1.7
2,011	Teladoc Health Inc.	329,556	414,098	0.7
6,500	Tesla Inc.	3,731,550	5,470,863	9.6
688	Thermo Fisher Scientific Inc.	380,708	429,783	0.8
6,084	TJX Companies Inc.	512,838	507,929	0.9
2,340	Trade Desk Inc.	141,154	224,160	0.4
1,768	United Parcel Service Inc.	462,722	455,311	0.8
1,472	Vertex Pharmaceuticals Inc.	380,466	367,526	0.6
1,930	Visa Inc.	521,619	558,810	1.0
6,251	Walmart Inc.	1,009,827	1,091,580	1.9
2,394	Walt Disney Co.	412,685	521,068	0.9
	<b>TOTAL U.S. EQUITIES</b>	31,802,842	39,012,992	68.6
	<b>INTERNATIONAL EQUITIES</b>			
3,751	Nintendo Co., Ltd.	359,230	336,891	0.6
18,035	Qell Acquisition Corp.	230,739	222,210	0.4
5,251	Rio Tinto PLC	383,586	545,478	1.0
1,264	Sea Ltd.	322,307	429,806	0.8
	<b>TOTAL INTERNATIONAL EQUITIES</b>	1,295,862	1,534,385	2.8
	Transaction Costs	(26,424)		
	<b>Total investments</b>	<u>\$ 46,787,541</u>	56,240,834	99.0
	<b>Other assets, net of Liabilities</b>		544,740	1.0
	<b>Total net assets attributable to holders of redeemable units</b>		<u>\$ 56,785,574</u>	100.0

See accompanying notes to the financial statements.

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2021 (unaudited)

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## 1. THE FUND:

### Description of the Fund:

Citadel Income 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 CTF.UN. The Fund’s portfolio is managed by Vestcap Investment Management Inc. (the “Portfolio Advisor”).

The address of the Fund’s registered office is 1325 Lawrence Avenue East, Suite 200, Toronto, ON, Canada, M3A 1C6.

The financial statements were authorized for issue by the Manager on August 27, 2021.

## 2. INVESTMENT OBJECTIVES OF THE FUND:

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

## 3. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) including International Accounting Standard 34 (“IAS 34”): Interim Financial Reporting, as published by the International Accounting Standards Board (“IASB”). These financial statements are not audited by external auditors.

### (a) Cash and short-term investments:

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 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 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

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2021 (unaudited)

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 are classified and 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 statements dates, 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.

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 (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.

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2021 (unaudited)

The fair 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 June 30, 2021 and December 31, 2020, 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 weighted average Units outstanding for the periods.

## **4. 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. These financial statements include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these results. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

### **(a) COVID-19:**

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgments and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions and vaccines. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Fund in future periods. Given that the full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the global economy and the Fund's business is uncertain and not predictable at this time, there is a higher level of uncertainty with respect to management's judgments and estimates.

### **(b) 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.

### **(c) 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.

## **5. INCOME TAXES:**

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada) and is subject to applicable federal and provincial taxes on the amount of net income for tax purposes for the year, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or

## NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2021 (unaudited)

made payable to unitholders in the year. No provision for income taxes has been recorded in the accompanying financial statements as all income and capital gains of the Fund will be paid or payable to the unitholders to the extent necessary to reduce taxes payable under Part 1 of the Income Tax Act (Canada) to nil.

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 at December 31, 2020, the Fund had capital losses of approximately \$33,361 (2019 — nil) which can be carried forward indefinitely for offset against capital gains in future years. There were no non-capital loss carry-forwards as at December 31, 2020 and 2019.

### 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 June 30, 2021 and December 31, 2020.

<b>June 30, 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL:				
Equities	\$56,240,834	—	—	\$56,240,834

<b>December 31, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL:				
Equities	\$50,052,349	—	—	\$50,052,349

There were no transfers between Levels during the period ended June 30, 2021 and year ended December 31, 2020.

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

As of June 30, 2021 and December 31, 2020, the Fund had no securities that were classified as Level 3 financial instruments.

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2021 (unaudited)

## 7. UNITS ISSUED AND OUTSTANDING:

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

The Fund'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 at the reporting date.

The following Unit transactions took place during the periods ended June 30, 2021 and 2020:

### (a) Units issued and outstanding:

	2021	2020
Units, beginning of period	12,334,869	13,681,153
Issued under distribution reinvestment plan ("DRIP")	28,228	28,700
Units redeemed	—	(30,361)
Units, end of period	12,363,097	13,679,492

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

### (b) 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 12-month period, the maximum redemption amount. The Fund did not repurchase any Units for cancellation during the periods ended June 30, 2021 and 2020.

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 trust Unit determined as of the Annual Redemption Date less any retraction costs. Any such Units must be surrendered for redemption at least 15 business days before the Annual Redemption Date.

Through the annual redemption feature offered in November 2020, 1,367,941 Units (2019 – 1,519,924) were redeemed in the amount of \$5,798,975 (2019 – \$6,416,052).

### (c) Distribution Reinvestment Plan:

Units issued under the 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 1.00% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. For the period ended June 30, 2021, management fees totaled \$296,796 (2020 – \$292,039), of which \$56,525 was payable as at June 30, 2021 (2020 – \$53,061).



# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2021 (unaudited)

The Portfolio Advisor receives a fee of 0.33% 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 period ended June 30, 2021, investment management fees totaled \$97,946 (2020 — \$96,373), of which \$18,653 was payable at June 30, 2021 (2020 — \$17,510).

Administrative expenses for the period ended June 30, 2021 totaled \$239,624 (2020 — \$245,475). As part of these expenses, the Fund pays a general overhead cost to Artemis of \$35,000 per month plus applicable taxes to cover related administrative salaries, employee benefits, general overhead, and office supplies.

For redemptions or repurchases the Manager is entitled to receive a fee per Unit of 5% of the NAV per Unit plus applicable taxes.

## 9. FINANCIAL RISK MANAGEMENT:

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

### (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 June 30, 2021, 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) \$2,134,482 (4% of NAV) (December 31, 2020 — \$2,116,667, 4% of NAV). In practice, the actual results may differ and the difference could be material. The benchmark index consists of a 65% allocation in iShares S&P/TSX 60 Fund (XIU), a 15% allocation in SPDR Dow Jones Industrial Average ETF Trust (DIA), a 10% allocation in DEX Universe Bond Index Fund (XBB) and a 10% allocation in Canadian Treasury Bills.

### (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 June 30, 2021, the Fund invested 72.8% (December 31, 2020 — 63.5%) of the net assets in U.S. currency. As at June 30, 2021, 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 \$2,066,007 (3.6% of NAV) (December 31, 2020 — \$1,695,303, 3.2% 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 June 30, 2021, the Fund had approximately 100% of the investment portfolio in equity securities (December 31, 2020 — 100%). Cash and short-term investments earn minimal interest. As at June 30, 2021 and December 31, 2020, 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

Period ended June 30, 2021 (unaudited)

## (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 June 30, 2021 (December 31, 2020 — AA) based on DBRS (originally known as Dominion Bond Rating Service) ratings. The Manager monitors the financial position on an ongoing basis. As at June 30, 2021 and December 31, 2020, 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.

The Fund's liquid investments are considered to be in excess of the redemption requirements. Therefore, as at June 30, 2021 and December 31, 2020, the Fund's liquidity risk is considered minimal.

## (f) Concentration risk:

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

Sector	Percentage of net assets	
	June 30, 2021	December 31, 2020
Canadian equities:		
Pipeline/Energy investments	—	1.3
Materials	1.4	3.2
Telecommunications	1.1	5.3
Industrial	1.2	1.0
Information technology	4.1	1.8
Financial services	3.0	3.5
Real estate	2.2	0.8
Consumer goods and services	3.8	4.7
Utilities	4.9	7.2
Exchange traded funds	5.9	1.9
U.S. equities	68.6	59.3
International equities	2.8	3.8
Other assets, net of liabilities	1.0	6.2
Total	100.0	100.0

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2021 (unaudited)

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## 10. BROKERAGE COMMISSIONS AND PORTFOLIO TRANSACTIONS:

The brokerage commissions paid for the period ended June 30, 2021 were \$69,744 (2020 — \$32,368) of which soft dollar commissions were \$46,090 (2020 — \$21,546). Brokerage commissions are expensed and are included in transaction costs in the statements of comprehensive income (loss).

## 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 the amended and restated Declaration of Trust as of March 7, 2014.

## 12. INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES:

As of June 30, 2021, the Fund held an exchange traded fund ("ETF") with a fair value of \$3,352,531 (December 31, 2020 — \$1,021,771). The Fund did not control or have significant influence in the ETF.

## 13. RECENT DEVELOPMENTS:

### **Monthly distribution for 2021:**

On January 20, 2021, the Fund announced distributions for 2021 of \$0.01 per Unit per month. Unitholders of record on the last day of each month will be paid distributions on the 15th day (or first business date thereafter) of the ensuing month.

## CORPORATE INFORMATION

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### 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.

1 Adelaide St East, Suite 2100

Toronto, ON M5C 2V9

### AUDITOR

#### KPMG LLP

Bay Adelaide Centre

333 Bay Street, Suite 4600

Toronto, Ontario M5H 2S5

### STOCK EXCHANGE

The Toronto Stock Exchange

Energy Income Fund Units: **CTF.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 Floor

Toronto, Ontario M5V 3L3

### TRANSFER AGENT

#### TSX Trust Company

301-100 Adelaide Street West

Toronto, Ontario M5H 4H1



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Investment Management



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