

Artemis
Investment Management



CITADEL INCOME FUND

ANNUAL REPORT

DECEMBER 31, 2021

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MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Citadel 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 or SEDAR at www.sedar.com. Holders of units (“Unitholders”) may also contact us using one of these methods to request a copy of the Fund’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

THE FUND

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

INVESTMENT OBJECTIVES AND STRATEGIES

The 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.

RISK

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 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 year ended December 31, 2021 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.

RESULTS OF OPERATIONS

The NAV of the Fund increased from \$53.38 million to \$54.58 million from January 1, 2021 to December 31, 2021. Total revenue per Unit for the year ended December 31, 2021 was \$0.054, compared to \$0.121 for 2020. Operations for the year resulted in an increase in NAV per Unit of \$0.727 compared to an increase of \$0.250 for 2020.

Total administrative expenses for the year ended December 31, 2021 were \$0.041 per Unit compared to \$0.036 for 2020. On a per Unit basis, management fees increased for the year to \$0.051 per Unit (2020 – \$0.044) due to a increased in the average weighted NAV of the Fund between both periods. Investment management fees on a per Unit basis also increased for the year to \$0.017 per Unit (2020 – \$0.014). Excluding the expenses discussed above, all other expenses of the Fund for the year ended December 31, 2021 were \$0.030 per Unit (2020 – \$0.022).

Over the course of 2021, the S&P/TSX Composite Index had a total return of 25.1% while the S&P 500 had a CAD total return of 28.3%. Unemployment rates remained historically high in the U.S. and many developed nations at the start of the year, providing impetus to largely leave the exceptionally stimulative fiscal and monetary policies enacted in 2020 in place to try and get people back to work. As unemployment trended downward in 2021,

MANAGEMENT REPORT OF FUND PERFORMANCE

consumers were left flush with cash from increased wages and personal savings accumulated during the pandemic. The increased demand for most consumer goods quickly overwhelmed remaining inventories on hand, with production failing to make up the shortfall. Staffing issues hindered production levels and stymied typically smooth supply chain mechanics. In response, consumer inflation across developed nations has reached some of the highest rates in decades. Going forward, the Fund expects inflation rates to fall as interest rates are normalized and a resumption of two structural factors influencing long term global growth — demographics and productivity growth — to weigh on the current ebullient consensus forward GDP growth rates of economists. The Portfolio Advisor continues to position the Fund accordingly for the deflationary impacts of slowing demographics and increasing labor productivity from technological advancements.

The NAV per Unit, after distributions to Unitholders, increased 13.16% for the year ended December 31, 2021. During the year, the Fund paid total cash distributions of \$0.12 per Unit. There were no unusual trends in redemptions for the year ended December 31, 2021, with 1,241,344 Units redeemed.

TRADING PREMIUM/DISCOUNT

For the year ended December 31, 2021, the Units traded at an average discount to its NAV per Unit of 26.68%, compared to an average discount of 30.18% for 2020.

RECENT DEVELOPMENTS

Monthly Distributions for 2022

On January 14, 2022, the Fund announced distributions for 2022 of \$0.01 per Unit per month. Unitholders of record on the last day of each month in 2021 will be paid cash distributions of \$0.01 on the 15th day (or first business day 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, 2021 was 8,914,318 Units and 10% of the public float was 891,432 Units. For the year ended December 31, 2021, 1,233,303 Units were redeemed at a price of \$4.892 per Unit pursuant to the annual redemption privilege.

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 year ended December 31, 2021, management fees totaled \$625,946 (2020 — \$591,656), of which \$50,883 was payable as at December 31, 2021 (2020 — \$59,133).

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 year ended December 31, 2021, investment management fees totaled \$206,566 (2020 — \$195,247), of which \$16,792 was payable at December 31, 2021 (2020 — \$19,514).

Administrative expenses for the year ended December 31, 2021 totaled \$497,961 (2020 — \$486,062). 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 per Unit of 5% of the NAV per Unit redeemed or repurchased plus applicable taxes. For the year ended December 31, 2021, fees in the amount of \$321,059 (2020 — \$293,961) were paid to the Manager.

MANAGEMENT REPORT OF FUND PERFORMANCE

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

The Fund's Net Assets per Unit ⁽¹⁾

For the Years Ended	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
Net Assets, beginning of year	\$ 4.33	\$ 4.19	\$ 4.02	\$ 4.60	\$ 4.52
Increase (decrease) from operations:					
total revenue	0.05	0.12	0.11	0.17	0.13
total expenses (excluding distributions)	(0.14)	(0.12)	(0.12)	(0.12)	(0.11)
realized gains (losses) for the year	0.36	0.00	0.45	0.04	0.33
unrealized gains (losses) for the year	0.46	0.25	(0.15)	(0.54)	(0.16)
Total increase (decrease) from operations ⁽²⁾	\$ 0.73	\$ 0.25	\$ 0.29	\$(0.45)	\$ 0.20
Distributions:					
From net Investment Income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	0.09	–	0.47	–	0.24
Return of capital	0.03	0.12	–	0.12	0.01
Total Annual Distributions ⁽³⁾	0.12	0.12	0.47	0.12	0.25
Net assets at December 31 of year shown	\$ 4.90	\$ 4.33	\$ 4.19	\$ 4.02	\$ 4.60

(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, or both.

MANAGEMENT REPORT OF FUND PERFORMANCE

RATIOS AND SUPPLEMENTAL DATA

For the Years Ended	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
Total net asset value (\$ 000's) ⁽¹⁾	\$54,576	\$53,380	\$57,323	\$60,914	\$77,213
Number of units outstanding (000's) ⁽¹⁾	11,144	12,335	13,681	15,144	16,769
Management expense ratio ⁽²⁾	2.77%	2.80%	2.58%	2.74%	2.26%
Trading expense ratio ⁽³⁾	0.22%	0.10%	0.16%	0.05%	0.09%
Portfolio turnover ratio ⁽⁴⁾	171.02%	65.49%	111.11%	12.57%	47.29%
Net asset value per unit	\$ 4.90	\$ 4.33	\$ 4.19	\$ 4.02	\$ 4.60
Closing market price	\$ 3.56	\$ 2.83	\$ 3.23	\$ 3.12	\$ 3.52

(1) This information is provided as at the date shown.

(2) Management expense ratio is based on total expenses (excluding distributions, commissions and other Portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average NAV during the period.

(3) The trading expense ratio represents total commissions and other Portfolio transaction costs expressed as an annualized percentage of daily average NAV during the period.

(4) The Fund's Portfolio turnover rate indicates how actively the 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.

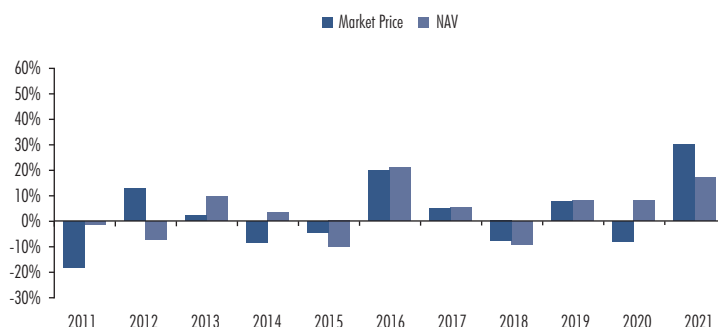
MANAGEMENT REPORT OF FUND PERFORMANCE

PAST PERFORMANCE

The Fund's performance numbers represent the annual compound total returns over the periods indicated to December 31, 2021. Total returns are based upon both the Fund's change in market price or NAV 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, redemption or other optional charges that would have reduced returns. Past performance of the Fund does not necessarily indicate how it will perform in the future. The total return of the Fund for the year ended December 31, 2021 was 17.47% measured in terms of its NAV. The total return of the market price per Unit of the Fund for the year ended December 31, 2021 was 30.58%.

Year By Year Returns



The Fund commenced operations as of May 2004. For 2021 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

ANNUAL COMPOUND RETURNS

The following table presents the annual compound returns for The Fund based on market price and net assets per Unit for the period indicated to December 31, 2021.

	1-Year	3-Year	5-Year	10-Year	Since Inception
Citadel Income Fund (Market Price)	30.58%	8.44%	4.19%	3.89%	0.72%
Citadel Income Fund (Net Assets)	17.47%	9.70%	4.41%	3.01%	1.98%
iShares S&P/TSX 60 Index Fund	27.78%	17.75%	10.54%	9.53%	8.71%
Composite Benchmark ⁽¹⁾	20.94%	14.73%	9.59%	8.70%	7.79%

(1) The composite benchmark consists of a 65% allocation in iShares S&P/TSX 60 Index ETF (XIU), a 15% allocation in SPDR Dow Jones Industrial Average ETF Trust (DIA), a 10% allocation in iShares Canadian Universe Bond Index ETF (XBB) and a 10% allocation in Canadian Treasury Bills.

MANAGEMENT REPORT OF FUND PERFORMANCE

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2021

Total Net Assets: \$54,575,953

The major Portfolio categories and top holdings of the Fund, as at December 31, 2021 are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing Portfolio transactions of the Fund. Quarterly updates are available at www.artemisfunds.ca.

Portfolio by Sector	% of Aggregate NAV
Canadian Equities	
Utilities	1.0%
Financial Services	6.7%
Consumer Goods & Services	3.6%
Industrial	0.9%
Materials	0.9%
Real Estate	3.9%
Information Technology	5.3%
Exchange Traded Funds	8.3%
Total Canadian Equities	30.6%
International Equities (U.S. & Others)	69.4%
Other Assets, Net of Liabilities	0.0%
Total Net Assets	100.0%

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

As at December 31, 2021

Tesla Inc.	14.68%	Nefflix Inc.	2.41%
Constellation Software Inc.	3.29%	Apple Inc.	2.29%
Nvidia Corp.	3.06%	DREAM Unlimited Corp.	2.09%
Microsoft Corp.	2.89%	Eli Lilly & Co.	1.87%
Advanced Micro Devices Inc.	2.83%	Best Buy Co. Inc.	1.87%
BMO Premium Yield ETF	2.82%	Paypal Holdings Inc.	1.84%
Fortinet Inc.	2.82%	BSR Real Estate Investment Trust	1.80%
Goeasy Ltd.	2.77%	The Estee Lauder Cos Inc.	1.71%
Horizons Active Preferred Share ETF	2.75%	Procter & Gamble Co.	1.54%
Alphabet Inc.	2.67%	Etsy Inc.	1.52%
Amazon.Com Inc.	2.60%	Moderna Inc.	1.47%
Loblaw Cos Ltd.	2.59%	Shopify Inc.	1.46%
T Rowe Price Group Inc.	2.50%		
		% of Total Net Assets	70.14%

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

CITADEL INCOME FUND

Years ended December 31, 2021 and 2020





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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Citadel Income Fund

Opinion

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

- the statements of financial position as at December 31, 2021 and 2020
- the statements of comprehensive income 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, 2021 and 2020, 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 to be 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single, long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Paula Foster.

Toronto, Canada

March 25, 2022

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
Assets		
Financial assets at fair value through profit or loss (Notes 3 and 4)	\$ 54,555,561	\$ 50,052,349
Cash	309,281	3,586,691
Dividends receivable	52,849	63,241
Other receivables	29,237	29,933
	<u>54,946,928</u>	<u>53,732,214</u>
Liabilities		
Distributions payable	111,436	123,349
Redemptions payable	106	—
Management fees and investment management fees payable (note 8)	67,675	78,647
Accounts payable and accrued liabilities (note 8)	191,758	149,951
	<u>370,975</u>	<u>351,947</u>
Net assets attributable to holders of redeemable units	<u>\$ 54,575,953</u>	<u>\$ 53,380,267</u>
Number of redeemable units outstanding (note 7)	<u>11,143,581</u>	<u>12,334,869</u>
Net assets attributable to holders of redeemable units per unit	<u>\$ 4.90</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:



Trevor Maunder
Director



Gavin Swartzman
Director

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2021 and 2020

	2021	2020
Income		
Dividends	\$ 804,670	\$ 1,625,225
Interest income for distribution purposes	—	10,537
Foreign exchange gain (loss)	(146,485)	12,825
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	4,395,541	52,064
Change in unrealized appreciation on investments	5,608,793	3,337,221
Total net income (loss)	10,662,519	5,037,872
Expenses		
Management fees (note 8)	625,946	591,656
Administrative (note 8)	497,961	486,062
Investment management fees (note 8)	206,566	195,247
Unitholder servicing	57,524	57,656
Custody, valuation and transfer fees	27,800	42,747
Audit and review fees	51,168	50,138
Regulatory and listing	29,999	30,082
Independent review committee fees	29,999	30,082
Legal fees	37,645	28,542
Interest	9,231	582
Portfolio transaction costs (note 10)	127,271	54,307
	1,701,110	1,567,101
Operating profit before tax	8,961,409	3,470,771
Withholding taxes/reclaims	44,852	74,944
Increase in net assets attributable to holders of redeemable units from operations	\$ 8,916,557	\$ 3,395,827
Weighted average number of units outstanding	12,259,664	13,595,140
Increase in net assets attributable to holders of redeemable units from operations per unit ⁽¹⁾	\$ 0.73	\$ 0.25

(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

Years ended December 31, 2021 and 2020

	2021	2020
Net assets attributable to holders of redeemable units, beginning of year	\$ 53,380,267	\$ 57,322,675
Increase in net assets attributable to holders of redeemable units from operations	8,916,557	3,395,827
Redeemable unit transactions (note 7)		
Reinvested distributions	159,906	152,906
Redemption of redeemable units	(6,421,958)	(5,875,822)
	(6,262,052)	(5,722,916)
Distributions to holders of redeemable units		
Return to holders of redeemable units	(1,458,819)	(1,615,319)
	(1,458,819)	(1,615,319)
Net increase (decrease) in net assets attributable to holders of redeemable units for the year	1,195,686	(3,942,408)
Net assets attributable to holders of redeemable units, end of year	\$ 54,575,953	\$ 53,380,267
Distributions per unit	\$ 0.12	\$ 0.12

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from (used in) operating activities		
Increase in net assets attributable to holders of redeemable units from operations	\$ 8,916,557	\$ 3,395,827
Adjustments for:		
Net realized gain on sale of investments	(4,395,541)	(52,064)
Portfolio transaction costs	127,271	54,307
Foreign exchange (gain) loss on cash	146,485	(12,825)
Change in unrealized appreciation in value of investments	(5,608,793)	(3,337,221)
Purchases of investments	(97,173,498)	(35,386,002)
Proceeds from sale of investments	102,547,349	42,325,756
Decrease in dividends receivable	10,392	36,905
Decrease in other receivables	696	250
Increase (decrease) in management fees and investment management fees payable	(10,972)	908
Increase in accounts payables and accrued liabilities	41,807	7,328
	<u>4,601,753</u>	<u>7,033,169</u>
Cash flows used in financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(1,310,826)	(1,475,876)
Amounts paid for redeemable units redeemed	(6,421,852)	(5,875,822)
	<u>(7,732,678)</u>	<u>(7,351,698)</u>
Foreign exchange gain (loss) on cash	<u>(146,485)</u>	<u>12,825</u>
Net decrease in cash	(3,277,410)	(305,704)
Cash, beginning of year	3,586,691	3,892,395
Cash, end of year	<u>\$ 309,281</u>	<u>\$ 3,586,691</u>
Supplemental information		
Dividends received, net of withholding taxes	\$ 770,210	\$ 1,587,186
Interest received, net of withholding taxes	—	10,537
Interest paid	(9,231)	(582)

See accompanying notes to the financial statements.

SCHEDULE OF INVESTMENTS

December 31, 2021

Number of shares	Investments owned	Average cost		Fair value	% of net assets	
CANADIAN EQUITIES						
Materials						
17,845	Intertape Polymer Group Inc.	\$	309,614	\$	469,680	0.9
			309,614		469,680	0.9
Industrial						
3,325	TFI International Inc.		290,345		471,718	0.9
			290,345		471,718	0.9
Information Technology						
765	Constellation Software Inc.		1,661,020		1,795,409	3.2
2,704	Topicus.com Inc.		346,981		313,934	0.6
457	Shopify Inc.		454,053		795,952	1.5
			2,462,054		2,905,295	5.3
Financial Services						
8,426	goeasy Ltd.		1,253,252		1,510,530	2.8
10,087	Brookfield Asset Management Inc.		701,647		770,546	1.4
3,064	Canadian Imperial Bank of Commerce		439,604		451,787	0.8
3,023	Intact Financial Corp.		508,979		497,042	0.9
4,546	National Bank of Canada		343,217		438,416	0.8
			3,246,699		3,668,321	6.7
Real Estate						
42,762	BSR Real Estate Investment Trust		835,114		982,671	1.8
29,382	DREAM Unlimited Corp.		739,222		1,140,903	2.1
			1,574,336		2,123,574	3.9
Consumer Goods and Services						
10,000	Aritzia Inc.		514,803		523,500	1.0
13,643	Loblaw Cos Ltd.		1,096,483		1,413,961	2.6
			1,611,286		1,937,461	3.6
Utilities						
15,000	Northland Power Inc.		546,373		569,250	1.0
			546,373		569,250	1.0
Exchange Traded Funds						
72,783	3iQ CoinShares Bitcoin ETF		601,130		706,069	1.3
41,083	3iQ CoinShares Ether ETF		864,512		771,539	1.4
49,230	BMO Premium Yield ETF		1,482,571		1,541,391	2.8

December 31, 2021

Number of shares	Investments owned	Average cost	Fair value	% of net assets
153,944	Horizons Active Preferred Share ETF	1,401,870	1,500,954	2.8
		4,350,083	4,519,953	8.3
	TOTAL CANADIAN EQUITIES	14,390,790	16,665,252	30.6
	U.S. EQUITIES			
8,500	Advanced Micro Devices Inc.	994,556	1,545,025	2.8
399	Alphabet Inc.	942,040	1,458,363	2.7
337	Amazon.com Inc.	1,392,180	1,419,370	2.6
5,584	Apple Inc.	719,794	1,252,480	2.3
7,933	Best Buy Co. Inc.	1,158,212	1,018,092	1.9
682	BlackRock Inc.	761,227	788,728	1.4
24,522	Chimera Investment Corp.	394,159	467,103	0.9
1,000	Domino's Pizza Inc.	491,414	712,835	1.3
2,919	Eli Lilly & Co.	784,775	1,018,462	1.9
1,422	Enphase Energy Inc.	337,129	328,597	0.6
3,000	Etsy Inc.	822,111	829,664	1.5
9,731	Fifth Third Bancorp	538,487	535,305	1.0
3,392	Fortinet Inc.	1,375,974	1,539,890	2.8
7,939	Intel Corp.	518,208	516,451	0.9
2,786	Johnson & Johnson	525,004	602,020	1.1
2,125	JPMorgan Chase & Co.	412,164	425,043	0.8
3,714	Microsoft Corp.	857,967	1,577,795	2.9
2,500	Moderna Inc.	564,374	802,039	1.5
6,387	Morgan Stanley	729,584	791,931	1.5
1,728	Nefflix Inc.	1,103,121	1,314,962	2.4
4,494	NVIDIA Corp.	612,574	1,669,547	3.1
4,222	PayPal Holdings Inc.	1,330,672	1,005,703	1.8
4,055	Procter & Gamble Co.	702,975	837,870	1.5
3,433	QUALCOMM Inc.	634,198	792,998	1.5
1,297	SolarEdge Technologies Inc.	520,380	459,660	0.8
2,329	Square Inc.	698,762	475,143	0.9
5,499	T Rowe Price Group Inc.	1,232,827	1,365,876	2.5
6,000	Tesla Inc.	3,444,509	8,009,247	14.6
8,952	The Bank of New York Mellon Corp.	604,015	656,754	1.2
2,000	The Estee Lauder Cos Inc.	777,714	935,238	1.7
6,084	The TJX Cos Inc.	512,838	583,447	1.1
	TOTAL U.S. EQUITIES	26,493,944	35,735,638	65.5

December 31, 2021

Number of shares	Investments owned	Average cost	Fair value	% of net assets
	INTERNATIONAL EQUITIES			
10,288	Farfetch Ltd.	483,826	434,433	0.8
8,712	Rio Tinto PLC	687,079	736,647	1.3
1,485	Sea Ltd.	451,297	419,631	0.8
3,711	Taiwan Semiconductor Manufacturing Co. Ltd.	534,280	563,960	1.0
	TOTAL INTERNATIONAL EQUITIES	2,156,482	2,154,671	3.9
	Transaction Costs	(17,678)		
	Total investments	<u>\$ 43,023,538</u>	54,555,561	100.0
	Other assets, net of liabilities		20,392	0.0
	Total net assets attributable to holders of redeemable units		<u>\$ 54,575,953</u>	100.0

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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 March 25, 2022.

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”).

(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:

The Fund classifies and measures its financial instruments as either amortized cost, fair value through other comprehensive income (“FVOCI”) or FVTPL. To determine the appropriate classification and measurement category, an entity considers 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 as the Fund does

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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:

The Fund recognizes 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.

(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 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.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

As at December 31, 2021 and 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 years.

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 COVID-19 virus continues to have ongoing impacts on the markets in which the Fund operates. Sectors in several countries most heavily impacted by COVID-19 since its outset continue to operate below pre-pandemic levels giving rise to elevated uncertainties. The Fund has utilized estimates, assumptions and judgments that reflect this uncertainty.

(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.

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 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.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

As at December 31, 2021, the Fund had capital losses of approximately \$33,361 (2020 – \$33,361) which can be carried forward indefinitely for offset against capital gains in future years. There were no non-capital loss carryforwards as at December 31, 2021 and 2020.

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, 2021 and 2020.

2021	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Equities	\$54,555,561	\$—	\$—	\$54,555,561

2020	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Equities	\$50,052,349	\$—	\$—	\$50,052,349

There were no transfers between levels during the years ended December 31, 2021 and 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 December 31, 2021 and 2020, the Fund had no securities that were classified as Level 3 financial instruments.

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

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

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 years ended December 31, 2021 and, 2020:

(a) Units issued and outstanding:

	2021	2020
Units, beginning of year	12,334,869	13,681,153
Issued under distribution reinvestment plan ("DRIP")	50,056	58,273
Units redeemed	(1,241,344)	(1,404,557)
Units, end of year	11,143,581	12,334,869

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 years ended December 31, 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 2021, 1,233,303 Units (2020 – 1,367,941) were redeemed in the amount of \$6,394,306 (2020 – \$5,798,975).

(c) Distribution Reinvestment Plan:

Units issued under the program will be issued at a 5% discount to the applicable five-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 year ended December 31, 2021, management fees totaled \$625,946 (2020 – \$591,656), of which \$50,883 was payable as at December 31, 2021 (2020 – \$59,133).

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 year ended December 31, 2021, investment management fees totaled \$206,566 (2020 – \$195,247), of which \$16,792 was payable at December 31, 2021 (2020 – \$19,514).

NOTES TO FINANCIAL STATEMENTS

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Administrative expenses for the year ended December 31, 2021 totaled \$497,961 (2020 — \$486,062). As part of these expenses, the Fund pays a general overhead cost to Artemis. Artemis receives \$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. For the year ended December 31, 2021, fees in the amount of \$321,059 (2020 — \$293,961) were paid to the Manager.

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 December 31, 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) \$1,753,372 (3% of NAV) (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 December 31, 2021, the Fund invested 70.8% (2020 — 63.5%) of the net assets in U.S. currency. As at December 31, 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 \$1,932,182 (3.5% of NAV) (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 December 31, 2021, the Fund had approximately 100% of the investment portfolio in equity securities (2020 — 100%). Cash and short-term investments earn minimal interest. As at December 31, 2021 and 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.

(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

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Years ended December 31, 2021 and 2020

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, 2021 (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 December 31, 2021 and 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 December 31, 2021 and 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	
	2021	2020
Canadian equities:		
Pipeline/Energy investments	—	1.3
Materials	0.9	3.2
Telecommunications	—	5.3
Industrial	0.9	1.0
Information technology	5.3	1.8
Financial services	6.7	3.5
Real estate	3.9	0.8
Consumer goods and services	3.6	4.7
Utilities	1.0	7.2
Exchange traded fund	8.3	1.9
U.S. equities	65.5	59.3
International equities	3.9	3.8
Other assets, net of liabilities	—	6.2
	100.0	100.0

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10. BROKERAGE COMMISSIONS AND PORTFOLIO TRANSACTIONS:

The brokerage commissions paid for the year ended December 31, 2021 were \$127,271 (2020 — \$54,307) of which soft dollar commissions were \$84,396 (2020 — \$36,142). Brokerage commissions are expensed and are included in transaction costs in the statements of comprehensive income.

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.

12. INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES:

As of December 31, 2021, the Fund held an Exchange Traded Fund ("ETF") with the fair value of \$4,519,953 (2020 — \$1,021,771). The Fund does not control or have significant influence over the ETF.

13. RECENT DEVELOPMENTS:

Monthly distribution for 2022:

On January 14, 2022, the Fund announced distributions for 2022 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.

MANAGER/TRUSTEE

Artemis Investment Management Limited

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AUDITOR

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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

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