



# Artemis

Investment Management



## ENERGY INCOME FUND

SEMI-ANNUAL REPORT

JUNE 30, 2023

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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 Energy 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.sedarplus.ca](http://www.sedarplus.ca). Holders of units (“Unitholders”) may also contact us using one of these methods to request a copy of the Fund’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## THE FUND

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

## INVESTMENT OBJECTIVES AND STRATEGIES

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

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

## RISKS

There are a number of risks associated with an investment in 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 Portfolio Securities which have a direct effect on the Net Asset Value (“NAV”) of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the Portfolio Securities. 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 Portfolio Securities may reduce these risks.

There were no changes in the period ended June 30, 2023 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, 2023 on the Fund’s SEDAR+ profile at [www.sedarplus.ca](http://www.sedarplus.ca).

## RESULTS OF OPERATIONS

The NAV of the Fund decreased from \$5.20 million to \$4.81 million from January 1, 2023 to June 30, 2023. Total revenue per Unit for the period ended June 30, 2023 was \$0.029, compared to \$0.023 for the same period in 2022. Operations for the period resulted in a decrease in NAV per Unit of \$0.087 compared to a decrease of \$0.054 for 2022.

Total administrative expenses for the period ended June 30, 2023 were \$0.016 per Unit, increased from the same period in 2022 (\$0.014 per unit). Management fees for the period were \$0.007 per Unit, unchanged from the same period in 2022. Investment management fees for the period were \$0.004 per Unit and also did not change compared to same period in 2022. Excluding the expenses discussed above, all other expenses of the Fund for the period ended June 30, 2023, were \$0.020 per Unit (2022 – \$0.035).

# MANAGEMENT REPORT OF FUND PERFORMANCE

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Over the first six months of 2023, the S&P/TSX Composite Index had a total return of 5.70% while the S&P/TSX Capped Energy Sector Index had a total return of -4.99%. Weak oil prices and investor rotation into the technology sector were primary contributors to the sector underperformance of North American energy equities. Global demand for crude oil increased during the period on strong import activity by China and India as well as a continued rebound in global air traffic. However, increased global crude production and middling manufacturing activity offset demand growth and tipped global conditions into modest oversupply.

We continue to view Canadian integrated heavy oilsands producers favorably. They are still trading around trough valuation levels while continuing to balance debt paydown and capital returns to shareholders against modest production growth. During the period we initiated a modest allocation to the Canadian oil field services subsector that is well positioned to benefit from increased well servicing activity as LNG Canada's large liquified natural gas project begins testing mid-2024. Additional egress capacity for Canadian natural gas will allow producers to access higher global pricing while supplying the globe with a low-emission fossil fuel.

The NAV per Unit, after distributions to Unitholders, decreased 7.39% for the period ended June 30, 2023. 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, 2023, with 24 units redeemed.

## TRADING PREMIUM/DISCOUNT

For the period ended June 30, 2023, the Fund traded at an average discount to its NAV per Unit of 17.39% compared to an average discount of 20.10% for the same period in 2022.

## RECENT DEVELOPMENTS

Management of the Fund is undertaking a strategic review of the Fund's investment objectives, strategy and fee structure to consider potential opportunities for growth. Unitholders will be advised at a future date of any proposals that may arise from this review.

### Monthly distribution for 2023

On January 16, 2023, the Fund announced distributions for 2023 of \$0.01 per Unit per month. Unitholders of record on the last day of each month in 2023 will be paid cash distributions of \$0.01 on the 15th day (or first business day thereafter) of the ensuing month.

### Redemptions

The maximum number of Units redeemable in a year pursuant to the annual redemption privilege is 10% of the public float of the Fund as determined on the first business day of a calendar year, less the number of Units repurchased for cancellation or otherwise redeemed by the Fund during the preceding twelve month period. The public float as determined on January 3, 2023, was 2,591,624 Units and 10% of the public float was 259,162 Units. From January 1, 2023 to June 30, 2023, the Fund did not repurchase any Units for cancellation.

## RELATED PARTY TRANSACTIONS

The Manager is entitled to receive a management fee of 0.70% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. For the period ended June 30, 2023, management fees totaled \$19,445 (2022 - \$20,961), of which \$3,167 was payable as at June 30, 2023 (2022 - \$3,527).

The Portfolio Advisor receives a fee of 0.40% per annum of the average NAV of the Fund, plus applicable taxes, calculated and payable monthly, in exchange for providing investment management services. For the period ended June 30, 2023, investment management fees totaled \$11,111 (2022 - \$11,978), of which \$1,810 was payable at June 30, 2023 (2022 - \$2,015).

Administrative expenses for the period ended June 30, 2023, totaled \$42,078 (2022 - \$41,080). As part of these expenses, the Fund pays a general overhead cost to Artemis of \$5,000 per month plus applicable taxes to cover related administrative salaries, employee benefits, general overhead, and office supplies.

## MANAGEMENT REPORT OF FUND PERFORMANCE

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, 2023, no redemption fees were paid (2022 – nil).

### FINANCIAL HIGHLIGHTS

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

#### The Fund's Net Assets per Unit <sup>(1)</sup>

For the Period Ended	30-Jun-23	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18
<b>Net Assets per Unit, Beginning of Year</b>	<b>\$ 2.01</b>	\$ 1.93	\$ 2.02	\$ 2.12	\$ 2.01	\$ 2.61
<b>Increase (decrease) from operations:</b>						
total revenue	<b>0.03</b>	0.06	0.04	0.08	0.10	0.11
total expenses (excluding distributions)	<b>(0.05)</b>	(0.09)	(0.12)	(0.10)	(0.09)	(0.11)
realized gains (losses) for the year	<b>0.07</b>	0.14	0.05	(0.06)	(0.04)	(0.01)
unrealized gains (losses) for the year	<b>(0.14)</b>	0.10	0.06	0.10	0.26	(0.46)
<b>Total Increase (decrease) from operations <sup>(2)</sup></b>	<b>\$ (0.09)</b>	\$ 0.21	\$ 0.04	\$ 0.02	\$ 0.23	\$ (0.47)
<b>Distributions:</b>						
From net investment income (excluding dividends)	–	–	–	–	–	–
From dividends	–	–	–	–	–	–
From capital gains	–	–	–	–	–	–
Return of capital	<b>0.06</b>	0.12	0.12	0.12	0.12	0.12
<b>Total Annual Distributions <sup>(3)</sup></b>	<b>0.06</b>	0.12	0.12	0.12	0.12	0.12
<b>Net Assets at the end of each period shown</b>	<b>\$ 1.86</b>	\$ 2.01	\$ 1.93	\$ 2.02	\$ 2.12	\$ 2.01

(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 Period Ended	30-Jun-23	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19	31-Dec-18
Total net asset value (\$ 000's) <sup>(1)</sup>	\$ 4,815	\$ 5,199	\$ 5,542	\$ 6,443	\$ 7,468	\$ 7,758
Number of units outstanding (000's) <sup>(1)</sup>	2,595	2,592	2,872	3,183	3,526	3,861
Management expense ratio <sup>(2)</sup>	4.96%	4.59%	5.82%	5.33%	4.45%	4.44%
Trading expense ratio <sup>(3)</sup>	0.02%	0.02%	0.05%	0.13%	0.07%	0.07%
Portfolio turnover ratio <sup>(4)</sup>	25.70%	4.90%	22.51%	54.39%	9.06%	14.25%
Net asset value per unit	\$ 1.86	\$ 2.01	\$ 1.93	\$ 2.02	\$ 2.12	\$ 2.01
Closing market price	\$ 1.57	\$ 1.45	\$ 1.58	\$ 1.45	\$ 1.71	\$ 1.62

(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 NAV 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 Portfolio Advisor manages the Portfolio. A Portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the Portfolio Securities 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

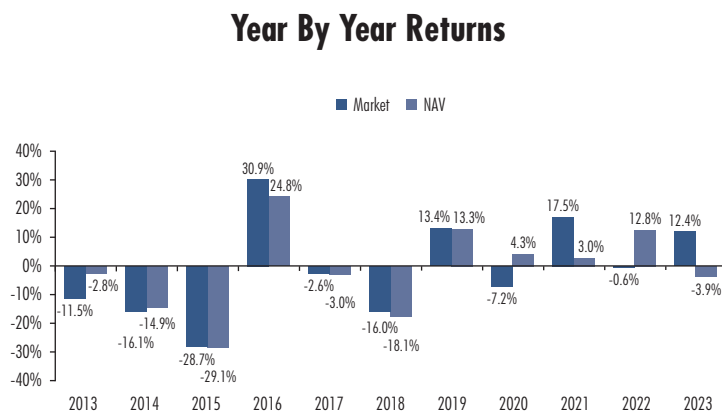
## PAST PERFORMANCE

The Fund's performance numbers represent the annual compound total returns over the period indicated to June 30, 2023 (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 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, 2023, was negative 3.93% measured in terms of its NAV. The total return of the market price per Unit for the period ended June 30, 2023, was positive 12.41%.

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.



The Fund commenced operations as of October 2005. For 2022 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, 2023

Total Net Assets: \$4,814,979

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).

<b>Portfolio by Sector</b>	<b>% of Aggregate NAV</b>
Canadian Equities	
Oil & Gas Corporations	32.59%
Utilities	12.20%
Total Canadian Equities	44.79%
International Equities (U.S.)	51.04%
Cash	6.62%
Other Assets, Net of Liabilities	(2.45)%
<b>Total Net Assets</b>	<b>100.00%</b>

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

As at June 30, 2023

### Top Positions as a % of NAV

Canadian Natural Resources Ltd.	16.80%	Trican Well Service Ltd.	6.60%
First Solar Inc.	12.15%	Exxon Mobil Corp.	6.55%
Chevron Corp.	11.78%	SolarEdge Technologies Inc.	5.18%
Parkland Corp. Canada	9.18%	Brookfield Renewable Corp.	4.73%
NextEra Energy Inc.	8.65%	Saturn Oil & Gas Inc., Warrants	0.01%
Northland Power Inc.	7.55%	Other assets, net of liabilities	4.20%
iShares 0 – 3 Month Treasury Bond ETF	6.73%	<b>% of Total Net Assets</b>	<b>100.0%</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

# **ENERGY INCOME FUND**

For the six-month period ended June 30, 2023 (unaudited)



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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The interim financial statements of Energy 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

# ENERGY INCOME FUND

## STATEMENTS OF FINANCIAL POSITION

As at June 30, 2023 (unaudited) and December 31, 2022 (audited)

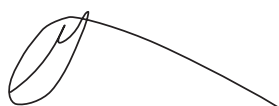
	2023	2022
<b>Assets</b>		
Financial assets at fair value through profit or loss (notes 3 and 4)	\$ 4,612,699	\$ 4,975,028
Cash	318,768	398,736
Dividends receivable	15,591	14,851
Other receivables	3,375	2,323
	4,950,433	5,390,938
<b>Liabilities</b>		
Distributions payable	25,945	25,916
Management fees and investment management fees payable (note 8)	4,977	5,678
Accounts payable and accrued liabilities (note 8)	104,532	159,957
	135,454	191,551
<b>Net assets attributable to holders of redeemable units</b>	\$ 4,814,979	\$ 5,199,387
<b>Number of redeemable units outstanding (note 7)</b>	2,594,518	2,591,624
<b>Net assets attributable to holders of redeemable units per unit</b>	\$ 1.86	\$ 2.01

See accompanying notes to the financial statements.

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



Trevor Maunder  
Director



Gavin Swartzman  
Director

# ENERGY INCOME FUND

## STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	2023	2022
<b>Income</b>		
Dividends	\$ 76,519	\$ 69,509
Interest income for distribution purposes	9,719	87
Foreign exchange loss	(12,026)	(2,098)
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, including foreign exchange adjustments	172,750	371,523
Change in unrealized depreciation in value of investments	(351,163)	(422,926)
	<u>(104,201)</u>	<u>16,095</u>
<b>Expenses</b>		
Administrative (note 8)	42,078	41,080
Management fees (note 8)	19,445	20,961
Unitholder servicing	10,534	23,750
Custody, valuation and transfer fees	6,722	30,961
Audit and review fees	19,132	18,690
Independent review committee fees	11,285	11,250
Regulatory and listing fees	4,235	8,060
Investment management fees (note 8)	11,111	11,978
Legal fees	—	6,828
Interest	19	186
Portfolio transaction costs (note 9)	482	117
	<u>125,043</u>	<u>173,861</u>
<b>Operating loss before tax</b>	<u>(229,244)</u>	<u>(157,766)</u>
<b>Withholding taxes/reclaims</b>	4,211	2,916
<b>Decrease in net assets attributable to holders of redeemable units from operations</b>	<u>\$ (233,455)</u>	<u>\$ (160,682)</u>
<b>Weighted average number of units outstanding</b>	<u>2,593,022</u>	<u>2,873,638</u>
<b>Decrease in net assets attributable to holders of redeemable units from operations per unit <sup>(1)</sup></b>	<u>\$ (0.09)</u>	<u>\$ (0.06)</u>

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

See accompanying notes to the financial statements.

## ENERGY INCOME FUND

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

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

	2023	2022
<b>Net assets attributable to holders of redeemable units, beginning of period</b>	\$ 5,199,387	\$ 5,542,155
<b>Decrease in net assets attributable to holders of redeemable units from operations</b>	(233,455)	(160,682)
<b>Redeemable unit transactions (note 7)</b>		
Reinvested distributions	4,678	5,599
Redemption of redeemable units	(33)	—
	4,645	5,599
<b>Distributions to holders of redeemable units</b>		
Return to holders of redeemable units	(155,598)	(172,438)
	(155,598)	(172,438)
<b>Net decrease in net assets attributable to holders of redeemable units for the period</b>	(384,408)	(327,521)
<b>Net assets attributable to holders of redeemable units, end of period</b>	\$ 4,814,979	\$ 5,214,634
<b>Distributions per unit</b>	\$ 0.06	\$ 0.06

See accompanying notes to the financial statements.

# ENERGY INCOME FUND

## STATEMENTS OF CASH FLOWS

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

	2023	2022
<b>Cash flows from operating activities</b>		
Decrease in net assets attributable to holders of redeemable units from operations	\$ (233,455)	\$ (160,682)
Adjustments for:		
Net realized gain on sale of investments	(172,750)	(371,523)
Portfolio transaction costs	482	117
Foreign exchange loss on cash	12,026	2,098
Change in unrealized depreciation in value of investments	351,163	422,926
Purchases of investments	(615,986)	(275,000)
Proceeds from sale of investments	799,420	901,831
Increase in dividends receivable	(740)	(5,027)
Increase in other receivables	(1,052)	(1,138)
Decrease in management fees and investment management fees payable	(701)	(440)
Decrease in accounts payables and accrued liabilities	(55,425)	(14,468)
	<u>82,982</u>	<u>498,694</u>
<b>Cash flows used in financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(150,891)	(166,803)
Amounts paid for redeemable units redeemed	(33)	—
	<u>(150,924)</u>	<u>(166,803)</u>
<b>Foreign exchange loss on cash</b>	<u>(12,026)</u>	<u>(2,098)</u>
Net increase (decrease) in cash	(79,968)	329,793
Cash, beginning of period	398,736	74,796
<b>Cash, end of period</b>	<u>\$ 318,768</u>	<u>\$ 404,589</u>
<b>Supplemental information</b>		
Dividends received, net of withholding taxes	\$ 71,568	\$ 67,398
Interest received, net of withholding taxes	9,719	87
Interest paid	(19)	(186)

See accompanying notes to the financial statements.

# ENERGY INCOME FUND

## SCHEDULE OF INVESTMENTS

As at June 30, 2023 (unaudited)

Number of shares	Investments owned	Average cost	Fair value	% of net assets
<b>CANADIAN EQUITIES</b>				
<b>Oil and Gas Corporations</b>				
10,800	Canadian Natural Resources Ltd.	\$ 340,430	\$ 804,012	16.8
13,400	Parkland Corp. Canada	345,724	442,200	9.2
50,000	Saturn Oil & Gas Inc., Warrants	—	250	0.0
90,000	Trican Well Service Ltd.	289,013	317,700	6.6
		975,167	1,564,162	32.6
<b>Utilities</b>				
5,459	Brookfield Renewable Corp.	341,966	227,687	4.7
13,149	Northland Power Inc.	297,025	363,307	7.5
		638,991	590,994	12.2
<b>TOTAL CANADIAN EQUITIES</b>		1,614,158	2,155,156	44.8
<b>U.S. EQUITIES</b>				
2,725	Chevron Corp.	324,327	567,378	11.8
2,222	Exxon Mobil Corp.	238,080	315,341	6.5
2,326	First Solar Inc.	292,169	585,070	12.2
2,435	iShares 0-3 Month Treasury Bond ETF	326,973	324,239	6.7
4,240	NextEra Energy Inc.	429,108	416,302	8.6
700	SolarEdge Technologies Inc.	255,927	249,213	5.2
<b>TOTAL U.S. EQUITIES</b>		1,866,584	2,457,543	51.0
	Transaction costs	(1,796)		
<b>Total investments</b>		<u>\$ 3,478,946</u>	4,612,699	95.8
<b>Other assets, net of liabilities</b>			202,280	4.2
<b>Total net assets attributable to holders of redeemable units</b>			\$ 4,814,979	100.0

See accompanying notes to the financial statements.



# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2023 (unaudited)

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## 1. THE FUND:

### Description of the Fund:

Energy 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 ENI.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, M3A 1C6, Canada.

The financial statements were authorized for issue by the Manager on August 29, 2023.

## 2. INVESTMENT OBJECTIVES OF THE FUND:

The Fund’s investment objectives are to provide the unitholders with monthly cash distributions and to achieve a total return on the portfolio that is greater than the total return provided by the benchmark index, as selected by the Manager from time to time. The benchmark index is the S&P/TSX Capped Energy Trust Index.

## 3. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) including International Accounting Standards (“IAS”) 34: Interim Financial reporting, as issued by the International Accounting Standards Board (“IASB”). The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit and loss. These interim financial statements for the six-month period ended June 30, 2023 have not been reviewed by the Fund’s auditors.

### (a) Cash:

Cash includes cash at bank and cash equivalents.

### (b) Financial instruments:

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

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

### (i) Classification and measurement:

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 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

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2023 (unaudited)

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and measurement category. The Fund measures at FVTPL all financial assets currently held at fair value. Debt securities are measured at FVTPL under IFRS 9 as the Fund does not hold the assets to collect contractual cash flows based on their business model. Collection of the contractual cash flows is not integral to achieving the Fund's business model objective but is instead incidental to it.

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

## **(ii) Impairment:**

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

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

## **(c) Valuation of investments:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. See note 6 for a description of each fair value hierarchy level.

## **(d) Investment transactions and income recognition:**

- (i) Investment transactions are accounted for on the trade date;
- (ii) Interest income for distribution purposes is recognized on an accrual basis based on the bond coupon rate;
- (iii) Dividend income is recorded on the ex-dividend date; and
- (iv) Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated using the average cost of the related investments.

## **(e) Foreign currency translation:**

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

The fair value of investments and other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rates prevailing on each valuation date.

Purchases and sales of investments, and income and expenses denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions. Realized exchange gains (losses) on investments, and unrealized exchange gains (losses) on investments, if any, are included in net realized loss on sale of investments and change in unrealized appreciation (depreciation) in value of investments in the statements of comprehensive income.

## **(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, 2023 (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, 2023 and December 31, 2022, the Fund had no securities on loan.

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

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

## **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:**

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) Fair value measurement of derivatives and securities not quoted in an active market:**

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

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

### **(b) Business model assessment:**

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

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

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

As of December 31, 2022, the Fund had non-capital losses of approximately \$1,131,679 (2021 – \$1,136,506) that will start to expire in 2033, and capital losses of approximately \$21,518,686 (2021 – \$21,518,686). Capital losses can be carried forward indefinitely and offset against capital gains in future years.

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2023 (unaudited)

## 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, 2023 and December 31, 2022.

June 30, 2023	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Equities	\$4,612,449	250	—	\$4,612,699

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Equities	\$4,966,528	\$8,500	—	\$4,975,028

There were no transfers between levels during the period ended June 30, 2023 and year ended December 31, 2022.

All fair value measurements above are recurring. The carrying values of cash, dividends receivable, other receivables, distributions payable, management fees and investment management fees payable and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case, it is classified as Level 3.

As of June 30, 2023 and December 31, 2022, the Fund had no securities that were classified as Level 3 financial instruments.

## 7. UNITS ISSUED AND OUTSTANDING:

### (a) Authorized:

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

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

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2023 (unaudited)

The following Unit transactions took place during the periods ended June 30, 2023 and 2022:

## (b) Units issued and outstanding:

	2023	2022
Units, beginning of period	2,591,624	2,871,822
Issued under distribution reinvestment plan ("DRIP")	2,918	3,608
Units redeemed	(24)	—
Units, end of period	2,594,518	2,875,430

## (c) Redemptions and retractions:

The maximum number of Units redeemable in a year pursuant to the annual redemption privilege is 10% of the public float of the Fund as determined on the first business day of a calendar year, less the number of Units repurchased for cancellation or otherwise redeemed by the Fund during the preceding twelve-month period. The Fund did not repurchase any Units for cancellation during the periods ended June 30, 2023 and 2022.

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

Unitholders are also entitled to retract their Units outstanding on the second to last business day of each November (the "Annual Redemption Date") at an amount equal to 100% of the NAV per Unit determined as of the Annual Redemption Date less any retraction costs.

Pursuant to an annual redemption in November 2022, 287,182 Units (2021 – 318,308) were redeemed in the amount of \$603,570 (2021 – \$667,651).

## (d) Distribution reinvestment plan:

Units issued under the DRIP program will be issued at applicable 5-day volume-weighted average trading price of the Units.

## 8. RELATED PARTY TRANSACTIONS:

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

The Manager is entitled to receive a management fee of 0.70% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. For the period ended June 30, 2023, management fees totaled \$19,445 (2022 – \$20,961), of which \$3,167 was payable as at June 30, 2023 (2022 – \$3,527).

The Portfolio Advisor receives a fee of 0.40% per annum of the average NAV of the Fund, plus applicable taxes, calculated and payable monthly, in exchange for providing investment management services. For the period ended June 30, 2023, investment management fees totaled \$11,111 (2022 – \$11,978), of which \$1,810 was payable at June 30, 2023 (2022 – \$2,015).

Administrative expenses for the period ended June 30, 2023 totaled \$42,078 (2022 – \$41,080). As part of these expenses, the Fund pays a general overhead cost to Artemis. Artemis receives \$5,000 per month plus applicable taxes to cover related administrative salaries, employee benefits, general overhead, and office supplies.

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

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2023 (unaudited)

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## 9. PORTFOLIO TRANSACTION COSTS:

For the period ended June 30, 2023, the Fund incurred portfolio transaction costs of \$482 (2022 — \$117) of which soft dollar commissions were \$309 (2022 — \$67). These costs are recorded separately in the statements of comprehensive income as an expense for the year.

## 10. FINANCIAL RISK MANAGEMENT:

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

### (a) Market risk:

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

The most significant exposure to market risk is from equity securities. As at June 30, 2023, had the prices on the benchmark index raised (lowered) by 5%, with all other variables held constant, net assets attributable to holders of redeemable Units would have increased (decreased) by approximately \$86,527 (2% of NAV) (December 31, 2022 — \$94,278, 2% of NAV). In practice, the actual results may differ and the difference could be material. The benchmark index is the S&P/TSX Capped Energy Trust Index.

### (b) Foreign currency risk:

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

As at June 30, 2023 the Fund invested approximately 75.5% (December 31, 2022 — 86.2%) of the net assets in U.S. currency. As at June 30, 2023, 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 \$181,742 (3.8% of NAV) (December 31, 2022 — \$224,197, 4.3% 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, 2023, the Fund had 100% of the investment portfolio in equity securities (December 31, 2022 — 100%). Cash and short-term investments earn minimal interest. As at June 30, 2023 and December 31, 2022, 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 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.

# NOTES TO FINANCIAL STATEMENTS

Period ended June 30, 2023 (unaudited)

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, 2023 (December 31, 2022 — AA) based on DBRS (originally known as Dominion Bond Rating Service) ratings. The Manager monitors the financial position on a quarterly basis. As at June 30, 2023 and December 31, 2022, the Fund had no significant exposure to credit risk.

## (e) Liquidity risk:

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

The Fund's liquid investments are considered to be in excess of the redemption requirements. Therefore, as at June 30, 2023 and December 31, 2022, 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, 2023	December 31, 2022
Canadian equities		
Oil and gas corporations	32.6	23.5
Information technology	—	3.7
Utilities	12.2	13.3
U.S. equities	51.0	55.2
Other assets, net of liabilities	4.2	4.3
Total	100.0	100.0

## 11. CAPITAL MANAGEMENT:

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

## 12. RECENT DEVELOPMENTS:

Management of the Fund is undertaking a strategic review of the Fund's investment objectives, strategy and fee structure to consider potential opportunities for growth. Unitholders will be advised at a future date of any proposals that may arise from this review.

### Monthly distribution for 2023

On January 16, 2023, the Fund announced distributions for 2023 of \$0.01 per Unit per month. Unitholders of record on the last day of each month in 2023 will be paid cash distributions of \$0.01 on the 15th day (or first business day thereafter) of the ensuing month.

### Redemptions

The maximum number of Units redeemable in a year pursuant to the annual redemption privilege is 10% of the public float of the Fund as determined on the first business day of a calendar year, less the number of Units repurchased for cancellation or otherwise redeemed by the Fund during the preceding twelve month period. The public float as determined on January 3, 2023, was 2,591,624 Units and 10% of the public float was 259,162 Units. From January 1, 2023 to June 30, 2023, the Fund did not repurchase any Units for cancellation.

## CORPORATE INFORMATION

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### MANAGER/TRUSTEE

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### PORTFOLIO ADVISOR

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### AUDITOR

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### STOCK EXCHANGE

The Toronto Stock Exchange

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

### INDEPENDENT REVIEW COMMITTEE

Peter Chodos

John Mills

Michael Newman

### DIRECTORS OF THE MANAGER/TRUSTEE

Trevor Maunder – Director

Gavin Swartzman – Director

### OFFICERS OF THE MANAGER/TRUSTEE

Trevor Maunder – Chief Executive Officer,

Chief Financial Officer and Secretary

Sean Lawless – Chief Compliance Officer

### CUSTODIAN

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### TRANSFER AGENT

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# Artemis

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