



# MIDDLEFIELD CANADIAN INCOME TRUST

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Half Yearly Report  
30 June 2022



## LON: MCT

Targeting high levels of stable income and capital growth, this Fund invests in Canada's highest quality, large capitalization businesses<sup>1</sup>. Middlefield Limited, the Trust's investment manager, is a private and independent firm located in Toronto, Canada and is a member of Canada's Responsible Investment Association and is regulated by the Ontario Securities Commission.



A Responsible Investment Association Member

Further details about the Responsible Investment Association are available on the website at [www.riacanada.ca](http://www.riacanada.ca)





# Financial Highlights

## 2022 DIVIDEND

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**5.1p annualised,  
1.275p quarterly**

## YIELD

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**4.3%**

## SHARE PRICE

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**118p**

## NAV PER SHARE

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**138.97p**

## NET ASSETS

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**£148m**



# Why Middlefield Canadian Income Trust?

## Who is this fund for?

This Fund is for long-term investors seeking dividends and capital appreciation from a diversified portfolio of stable, profitable businesses domiciled primarily in Canada

## Reasons to buy



### Unique

The UK's only listed Canadian equity fund focused on high income – admitted to the FTSE UK All-Share Index in 2011.



### Proven

Outperformance since inception in 2006, delivered by a private and independent investment manager based in Toronto, Canada.



### Diversification

UK investors are underexposed to Canadian equities – Canada is one of the largest investable economies in the developed world.



### High Income

Canadian equities offer a higher yield compared to other developed markets and MCT has consistently paid dividends in excess of 5p per annum since 2017.



### Stability

Canada is a member of the G7 and offers one of the most stable political and financial systems in the world.



### Governance

Independent Board of Directors re-elected by shareholders annually to protect their interests.



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# Key Information

This Fund invests in larger capitalization Canadian and U.S. high yield equities with a focus on companies that pay and grow dividends

## Exposure to Key Canadian Themes & Industries

Canadian companies are amongst the world leaders across the real estate, financial and energy and renewables sectors.



### Real Estate

Canada's real estate market is underpinned by low-interest rates, a stable economy and a relatively low unemployment rate. Immigration and a highly educated workforce support ongoing demand and growth in foreign investment.



### Financials

One of the world's most sophisticated and well-capitalized banking system, Canada's banks consistently paid dividends without cuts or suspensions through the Global Financial Crisis and the COVID-19 pandemic.



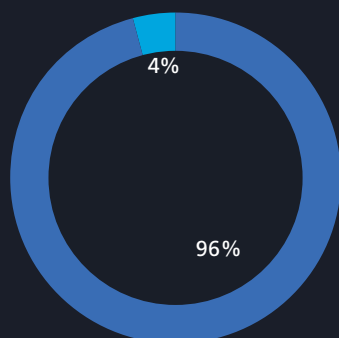
### Energy and Renewables

Canada is a global leader in the production and use of energy from renewables and oil and natural gas. Canadian companies that focus on wind and solar are benefiting from increasing demand for clean power from governments and corporations while Canadian oil and gas companies are benefiting from sustained demand and constrained supply of oil and natural gas.

## Key Data

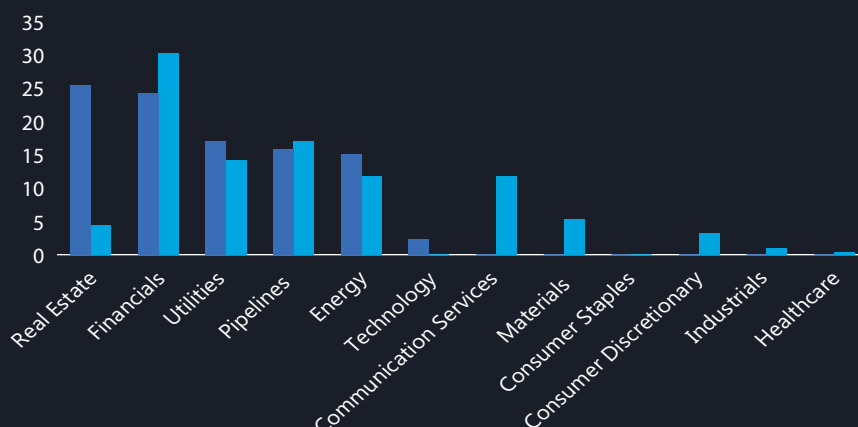
### Geographic Mix

● Canadian Equity ● US Equity



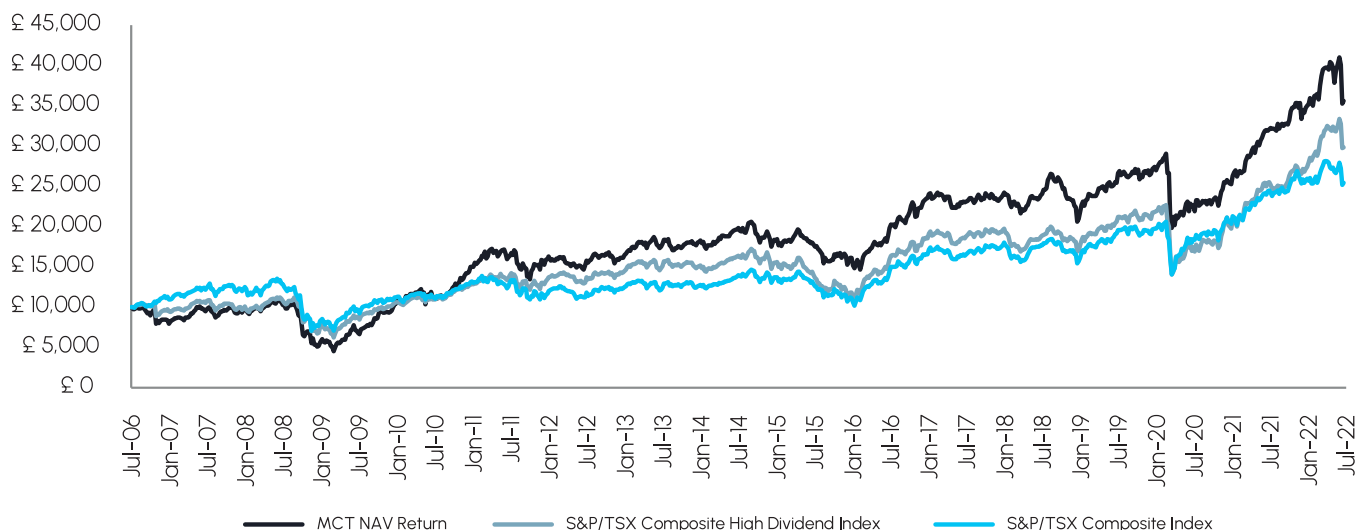
### Sector Allocation

● MCT ● Benchmark



# Historical Performance

## Performance Since Inception to 30 June 2022



As at 30 June 2022

### Notes:

1. Net asset value total returns (in Sterling, net of fees and including the reinvestment of dividends).
2. The Fund's benchmark, the S&P/TSX High Dividend Index, has been currency adjusted to reflect the Canadian Dollar ("CAD") returns from inception to October 2011 (while the Fund was CAD hedged) and Sterling ("GBP") returns thereafter.

Recent Performance	1 Mth	3 Mth	6 Mth	9 Mth	1 Year
Share Price	-9.6%	-14.9%	2.5%	10.7%	11.5%
NAV	-10.8%	-8.2%	3.4%	11.5%	13.4%
Benchmark	-7.6%	-5.0%	10.7%	18.4%	19.9%
S&P/TSX Composite Index	-7.1%	-9.2%	-1.5%	4.6%	5.1%

Long-term Performance	3 Year Annualised	5 year Annualised	7 Year Annualised	10 year Annualised	Since Inception Annualised
Share Price	12.0%	8.5%	9.6%	7.0%	7.2%
NAV	11.8%	9.0%	10.3%	8.6%	8.0%
Benchmark	13.8%	10.4%	11.8%	8.6%	7.3%
S&P/TSX Composite Index	10.1%	9.3%	10.4%	8.4%	6.7%

Sources: Middlefield, Bloomberg. As at 30 June 2022

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested. All price information is indicative only.

1. Total returns including the reinvestment of dividends for all returns. Fund returns are net of fees.
2. Composite of monthly total returns for the S&P/TSX Income Trust Index from inception to 31 December 2010 and the S&P/TSX Composite High Dividend Index (formerly named the S&P TSX Equity Income Index) thereafter.
3. Currency adjusted to reflect CAD\$ returns from inception of MCT to October 2011 and GBP returns thereafter since MCT was CAD\$ hedged from inception to October 2011.

# Responsibility Statement

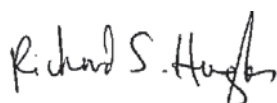
We confirm that to the best of our knowledge:

- The interim report and financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- The Chairman's Report and Investment Manager's Interim Report include a fair review of the development, performance and position of the Company and a description of the risks and uncertainties as disclosed in note 16 to the interim financial statements, that it faces for the next six months as required by DTR 4.2.7R of the disclosure Guidance and Transparency Rules.
- The Investment Manager's Interim Report and note 13 to the interim financial statements include a fair review of related party transactions and changes therein, as required by DTR 4.2.8R of the Disclosure Guidance and Transparency Rules.

By order of the Board



**Michael Phair**  
Director



**Richard Hughes**  
Director

Date: 13 September 2022







# Chairman's Report



**Michael Phair**  
Chairman

**It is my pleasure to present the Half Yearly Report for the period ended 30 June 2022 for Middlefield Canadian Income PCC (“MCT” or the “Company”) and its closed-end cell, Middlefield Canadian Income – GBP PC (the “Fund”). The Fund invests in a broadly diversified portfolio, comprised of primarily Canadian and U.S. equity income securities, with the objective of providing shareholders with high dividends as well as capital growth over the longer term.**

## **Investment Performance**

Due to a confluence of geopolitical and macro-economic factors, market conditions were extremely challenging for equity investors during the first half of 2022 (H1). Both the MSCI World and the S&P 500 finished the period in a bear market, down more than 20%, making it the worst start to a year since 1970. The Canadian stock market outperformed most global indices with the S&P/TSX Composite Index generating a total return of -1.5% in sterling terms and the benchmark S&P/TSX High Dividend Index generating a total return of 10.7%. The Fund generated total returns of 3.4% from its NAV and 2.5% from its share price, which were less than the benchmark due to a lower relative exposure to Canadian Energy during this period. Since inception in 2006, the Fund has generated an annualized total return of 8% which compares favourably to the Benchmark's return of 7.3% and the S&P/TSX Composite Index's return of 6.7%.

The Board has regular contact with the Investment Manager, Middlefield Limited, to discuss broad strategy and review investment policies, gearing and sector allocations. We remain satisfied that the Investment Manager is applying the strategy consistently and professionally and will continue to deliver good performance.

## Investment Management

The Fund's investment strategy is well-suited for the current environment. It is actively managed, giving the Investment Manager the ability to tactically shift the portfolio as market dynamics change. In response to rampant inflation, rising interest rates and heightened geopolitical tensions, the Fund increased its exposure to cyclical sectors throughout H1. Specifically, it initiated several positions in Canadian Energy companies because of their growing free cash flow profiles against the backdrop of rising commodity prices. As a result, the Fund's exposure to Canadian equities increased to 96% as at 30 June 2022, up from 91% at the start of the year.

## Shareholder Engagement

The Fund's share register remained stable throughout the year, supported by long-term institutional shareholders and a growing base of retail investors. We have been focused on expanding the Fund's awareness and profile, highlighting the opportunity to participate in our unique, Canadian-centric equity income strategy. Our objective is to create more demand for the Company's shares and narrow the discount to net asset value at which the shares trade. The Fund continues to receive positive feedback from shareholders on these initiatives which include regular updates, online webinars and thought leadership articles. You can find our content in the Literature and Media section of MCT's website. So far in 2022, we have expanded our investor relations program with ongoing improvements to the Fund's website and interviews with leading UK investment publications. Most recently, we have engaged Kepler Partners, a firm with a long track record

## Fund Sector Weights Compared to Benchmark as at 30 June 2022

Sector	Fund	Benchmark	Over/Underweight
Real Estate	26.2%	4.5%	21.7%
Financials	24.0%	30.3%	-6.3%
Utilities	16.7%	14.1%	2.6%
Pipelines	15.7%	16.5%	-0.8%
Energy	15.1%	11.9%	3.2%
Information Technology	2.3%	0.0%	2.3%
Communication Services	0.0%	12.0%	-12.0%
Materials	0.0%	6.0%	-6.0%
Consumer Discretionary	0.0%	3.2%	-3.2%
Industrials	0.0%	0.9%	-0.9%
Healthcare	0.0%	0.4%	-0.4%
Consumer Staples	0.0%	0.2%	-0.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: Middlefield, Bloomberg

The background to the Fund's performance is considered in depth by Mr Dean Orrico in the Investment Manager's accompanying report.

of working with investment trusts and companies, to increase our profile among both private investors and discretionary wealth managers throughout the UK. In addition, together with Mr Hughes as the Senior Independent Director, we continue to make ourselves available for meetings with investors.

## Gearing

The amount of gearing employed by the Fund has been tactically managed and can be a useful tool to enhance returns and control risk. The level of gearing was relatively consistent throughout H1, ranging between 19.1% to 15.8% and averaging 17.6%. Gearing enhances dividend income generated by the underlying portfolio and has positively contributed to the Fund's total return.

## Earnings and Dividends

Two quarterly interim dividends of 1.275p per share were paid on 31 January 2022 and 29 April 2022. This is in line with the payments made in the previous financial year. The Company's earnings per share totalled 2.85p for the six months ended 30 June 2022, reflecting a dividend coverage ratio of 1.12x. This compares to dividend coverage ratios of 0.95x in 2021 and 0.71x in 2020. Dividend growth from the Fund's underlying holdings has contributed to the earnings surplus. Over 70% of the Fund's holdings have raised their dividends since 30 June 2021, many of which have increased their dividends multiple times. Several companies in the Canadian energy sector, such as Tourmaline Oil Corp. and Canadian Natural Resources, have supplemented their regular interim dividends with special distributions due to excess free cash flow. We view dividend growth as a core tenet of long-term investing. Going forward, we expect sustainable growth in dividends from the Fund's holdings to support and increase the Fund's dividend coverage. The Board may consider future increases to the Fund's quarterly distribution if revenue continues to exceed its payout level.

# Chairman's Report continued

## Related Party Transactions

The Company's related parties are its directors and the Investment Manager. There were no related party transactions (as defined in the Listing Rules) during the year under review, nor up to the date of this report. Details of the remuneration paid to the directors and the Investment Manager during the year under review are shown in note 13.

## Material Events

The Board is not aware of any significant event or transaction which has occurred between 1 January 2022 and the date of publication of this statement which could have a material impact on the financial position of the Fund.

## Company and Fund Annual General Meetings

At each of the Company and Fund Annual General Meetings held on 16 June 2022, all resolutions, relating to both ordinary business and special business, were duly passed on a poll.

## Board Composition and Succession Planning

The Board frequently reviews its plans for future succession and has taken a number of steps over recent years to refresh its composition in order to continue to ensure the highest standards of good corporate governance. These steps have included the retirement of three long-standing non-executive directors in 2020 and 2021, the appointment of three new non-executive directors in 2018, 2019 and 2021, and the appointment of a board apprentice, Mrs Janine Fraser, a Jersey resident, in March 2021.

In April 2022, the Board approved further steps to refresh its composition. Specifically, the Board agreed to appoint Mrs Janine Fraser as a non-executive director of the Company, subject to the required regulatory approval which was

received in September 2022. Following Mrs Fraser's appointment, Mr Bisson will remain on the Board until his planned retirement at the commencement of the annual general meetings in 2023 in order to facilitate an orderly transition. It was also agreed to appoint Ms Anderson as senior independent director to replace Mr Hughes. Following these appointments and retirement, the Board will comprise five non-executive directors, of whom four will be independent and 40% will be female, including the senior independent director.

## Contact

Shareholders can write to the Company at its registered office or by email to the Secretary at [middlefield.cosec@jtcgroup.com](mailto:middlefield.cosec@jtcgroup.com).

## Principal Risks and Uncertainties

Geopolitical risks have risen since Russia's invasion of Ukraine. While the situation remains fluid, it is certain to have lasting impacts on global trade relationships and supply chains. The global community was quick to condemn the invasion and impose historic sanctions against Russia. These sanctions are likely to remain in place for an extended period, increasing the risk that Russia will seek new trading partners for its exports, such as China. Tensions between the U.S. and China are also heightened due to a conflict over Taiwan's independence. Against this backdrop, trading activity between major global economies could slow and weigh on global growth.

Currency risk is elevated with the U.S. dollar trading at its highest level in over twenty years. North American companies with international revenues are particularly prone to lower currency-adjusted sales. While it is likely that currencies will revert towards historical averages over time, risk-averse investors are likely to continue seeking safe-haven assets until inflation and

geopolitical tensions abate. Conversely, European countries that are heavily reliant on imports are being negatively impacted by weakness in their domestic currencies.

Inflation is at its highest levels in decades, raising the risk of a global economic slowdown. Rising inflation impacts consumer's purchasing power which may contribute to softening demand. If prices continue to rise, savings rates are also likely to decline. Another significant risk of higher inflation involves the corresponding impact of higher interest rates as well as quantitative tightening. In light of current macroeconomic and geopolitical events, there is an increasing risk of higher interest rates for an extended period.

## Managing Risks

The Company's risk assessment and the way in which significant risks are managed is a key area for the Board. Work here is driven by the Board's assessment of the risks arising in the Company's operations and identification and oversight of the controls exercised by the Board and its delegates, the Investment Manager and other service providers. These are recorded in the Company's business risk matrix, which continues to serve as an effective tool to highlight and monitor the principal risks.

The directors consider the principal risks of the Company to be those risks, or a combination thereof, that may materially threaten the Company's ability to meet its investment objectives, its solvency, liquidity or viability. In assessing the principal risks, the directors considered the Company's exposure to and likelihood of factors that they believe would result in significant erosion of value such as the stability of the North American and global economies, the ability of Canada to diversify its reliance on natural resources including energy-related commodities and the impact of climate risk on investee companies, foreign exchange rates, high inflation, ongoing supply-chain issues, COVID-19



outbreaks, the war in Ukraine and the moderation of global economic activity.

At the time of this report, the evolution of the COVID-19 pandemic, war in Ukraine and their subsequent economic aftershocks, are having a significant impact at both macro and micro levels, of which the long-term severity and the impact on the Company's principal risks and viability cannot currently be predicted with any accuracy.

## Outlook

The Investment Manager remains optimistic that North American inflation will trend lower in the coming months and market conditions will improve. The global and Canadian economies are evolving broadly in line with the Bank of Canada's recent predictions. Canadian inflation decreased in July 2022 to 7.6% from 8.1% because of moderating commodity prices. This development supports the Investment Manager's view that the pace of interest rate hikes will soon begin to slow and market volatility will subside. The Canadian economy continues to operate in excess demand and labour markets remain tight. Canada's GDP grew by 3.3% in Q2 2022 bolstered by both consumption and business investment. Due to the strength in household and corporate balance sheets, the Investment Manager does not anticipate a material economic slowdown in either Canada or the U.S. in the latter half of the year. Their investment conviction remains in cyclical sectors such as real estate, financials and energy.

Canada is a secure net exporter of oil and natural gas and should benefit from Europe's growing focus on energy independence over the coming years. Its rate of inflation remains below that of the United States and Europe, supporting the purchasing power of Canadian consumers. Cyclical sectors such as energy, financials and real estate also serve as effective hedges against inflation for U.K. investors. We are optimistic the Investment Manager

will continue to perform well in the current inflationary environment and build upon its longstanding track record. Considering our positive outlook on the Canadian market, together with the Fund's increased marketing initiatives, we believe the Fund's current share price represents excellent value.

The Board joins me in thanking you for your continued support.



**Michael Phair**  
Chairman

13 September 2022



**Middlefield Group is a private and independent asset manager focused on equity income investment strategies. Located in Toronto, Canada, the company oversees a suite of funds, many of which have been recognised for excellence in various investment categories. Middlefield specialises in managing diversified equity income strategies for UK and Canadian investors with a particular focus on delivering stable distributions and capital appreciation over the long term.**

# Investment Manager's Interim Report



**Dean Orrico**

Market volatility during the first half of 2022 (H1) was driven by persistent inflation, which has reached multi-decade highs in most countries throughout the world. There are a multitude of factors that have contributed to its sharp rise. One of the biggest contributors has been the sudden increase in global demand. After nearly two years of pandemic-related lockdowns and restrictions, consumers started spending again. This made it challenging for providers of goods and services to ramp up capacity fast enough to meet demand and placed additional strain on global supply chains. Labour conditions tightened quickly, putting upward pressure on wages and leaving many job vacancies unfilled. The Canadian unemployment rate reached a record low of 4.9% in June, leading to year-over-year wage growth exceeding 5%.

Russia's unexpected invasion of Ukraine in late February further exacerbated inflationary forces. The attack spurred a swift response from the global community in the form of unprecedented economic sanctions in an effort to isolate Russia from the global economy. This effectively reduced Russian supplies of a number of critical commodities for global markets, including oil, wheat, base metals and fertilizers. WTI crude oil and NYMEX natural gas prices both increased by nearly 50% in H1. Due to the lasting impacts of Russian sanctions, we expect commodity markets to remain tight for the foreseeable future. Fortunately, Canada is a major exporter of several commodities being affected by Russian supply shocks. We expect robust free cash flow generation from several Canadian companies that supply and distribute commodities.

In response to higher-than-expected inflation, global central banks quickly pivoted to hawkish monetary policies which have led to a rapid increase in interest rates and bond yields. The Bank of Canada (BoC) raised short-term borrowing rates three times in H1 by a total of 1.25%, driving Canadian 10-Year Bond yields from 1.4% to 3.2%. On 13 July, the BoC raised its policy rate by a further one percent and indicated that the move was intended to front-load the path to higher rates and bring the policy rate up to the nominal neutral rate. We commend the BoC's proactive approach to fighting inflation and believe it should limit economic damage in the long run by reducing the need to chase escalating inflation expectations. Moreover, the BoC's hawkish monetary policy has supported the Canadian dollar which appreciated 8.4% relative to the British Pound in H1. We are optimistic that Canada's rate of inflation will remain below that of the US and other developed nations.

Canadian equities performed well in H1 relative to other countries. The energy sector was the biggest positive contributor to performance, generating a total return of 26.3%. Over the past seven years, against the backdrop of a challenging commodity price environment, Canadian energy companies have focused on reducing operating costs, paying down debt and increasing profitability. Now, with streamlined operations, low levels of debt and far less enthusiasm among investors for production growth, these companies are generating unprecedented levels of free cash flow and returning substantial amounts of excess cash in the form of dividends and share buybacks. We raised the Fund's exposure to Canadian energy producers from 7.3% at the start of the year to 15.1% as at 30 June by initiating positions in Suncor Energy, Tourmaline Oil



# Investment Manager's Interim Report continued

Corp. and Whitecap Resources. In addition, the fund's exposure to pipelines increased from 10.8% to 15.7% during HI and we re-initiated a position in Gibson Energy. We expect Canadian energy companies to continue distributing excess profits to shareholders going forward and have a bullish outlook for the sector in the second half of the year.

Utilities, which represented 16.7% of the Fund's portfolio as at 30 June, were the only other sector in the TSX to generate a positive return in HI, adding 1.3%. The Fund's exposure to the sector is concentrated in companies focused on renewable power generation, including Brookfield Renewables, TransAlta Renewables and Northland Power. The world has embraced the challenge of tackling climate change and adopted comprehensive strategies to reach net zero emissions in the future. Renewable power production is core to these initiatives and will continue to grow steadily over the next several decades. Moreover, the Russia/Ukraine war has highlighted the need for the world to diversify its energy supply away from hydrocarbons which can experience dramatic fluctuations in price and availability. In addition to their environmental benefits, renewables provide an increasingly more stable and predictable source of power. Our long-term outlook on renewable power producers and utilities embracing clean energy remains positive.

Rising interest rates drove negative sentiment for REITs in HI with the Canadian real estate sector generating a total return of -21.7%. Since REITs can be a useful hedge against inflation, we believe this pullback has increased the value opportunity in the REIT sector, especially for the high-quality issuers possessing lower levels of debt and credit-worthy tenants. In particular, we are focused on REITs that are well positioned to increase rents which more than offset the rate of inflation. Industrial and retail REITs, which comprise the majority of the Fund's real estate exposure, reported double-digit rental growth on lease renewals in their Q2 2022 earnings results. As at the end of June, Canadian REITs were trading at a discount to their net asset values of nearly 20% on average – trough valuations that compare to the depths of 2008 and 2020.

Canadian Financials returned -11.2% in HI, outperforming their US counterparts by 7.5%. Canada's banks are among the safest in the world, supported by adequate balance sheet reserve ratios and a stable regulatory environment. They also offer an attractive mix of steady and growing dividends. During the Global Financial Crisis in 2008, as well as during the COVID-19 pandemic, none of the Canadian banks cut or suspended their regular dividends. Since November 2021, all of the "Big 6" Canadian banks have raised their quarterly dividends, with five of the six raising them more than once. The current rate hiking cycle should support profitability for the lending business of banks and other financial services, thus improving their net interest margins. The Canadian bank index is currently trading at approximately 1.5x price to book value, compared with the 10-year average of 1.7x and the average of 1.4x during the past six recessions. In light of our outlook for a relatively mild economic slowdown, we believe current valuations are attractive and provide significant downside protection.

## Outlook

Although the global economic outlook faces various headwinds, we believe Canadian equities are uniquely positioned to outperform. Canada is a net exporter of oil and electricity, making it one of few developed nations that benefits from higher energy prices. Conversely, Europe remains vulnerable to further escalation in the Russia/Ukraine conflict and its deeper economic ties to Russian imports. As a result, Canadian equities offer attractive diversification benefits for U.K. investors at this time. The country also enjoys the highest population growth rate among G7 nations, having added nearly 2 million new residents over the past five years with an additional 1.3 million permanent residents expected to enter the country by 2024. Based on a current population of approximately 38 million people, this represents a 3.4% increase over the next three years. Over 60% of new entrants are expected to fall under the category of economic immigrants which is expected to mitigate the labour shortages and wage inflation impacting the private sector.

We maintain our conviction in the Fund's core cyclical exposures. Energy, real estate and financials should continue to benefit from the sustained reopening of the global economy. Companies in these sectors are also uniquely positioned to grow their revenues in an inflationary environment. Our focus is on the highest quality businesses within these sectors with a particular emphasis on balance sheet strength and cash flow generation. Many of the Fund's holdings have grown their dividends in recent months which is a trend we expect to continue.



# Top Holdings

The table below shows the largest ten positions held within the Fund's portfolio as at 30 June 2022:

Company	Sector	% of Equities
<b>TD Bank</b> The Toronto-Dominion Bank, together with its subsidiaries, provides various financial products and services globally through a network of more than 2,300 branches in Canada and the U.S. The bank follows a customer focused strategy that has resulted in the bank's outperformance and consistent growth. TD recently announced the acquisition of First Horizon Bank which, when completed, will create a top-six bank in the United States by assets.	Financials	4.4%
<b>Bank of Nova Scotia</b> Bank of Nova Scotia provides retail, corporate and investment banking services in Canada, Central and Latin America, and Asia. It operates through more than 2,000 branches and offices in 50 countries around the world. We believe Scotiabank has the highest operating leverage in its peer group due to its focus on strict cost controls. Scotiabank is benefitting from improving earnings across its international business units and from a recovery in business lending across North American markets.	Financials	4.4%
<b>Capital Power</b> Capital Power is an independent power producer with approximately 6,400 MW of power generation capacity across North America. The company is on a path to net carbon neutrality by 2050, highlighted by the recent closing of its \$1 billion sustainability-linked credit facility which is tied to a 65% reduction in GHC intensity by 2030.	Utilities	4.2%
<b>Bank of Montreal</b> BMO is the fourth-biggest bank in Canada by assets and the eight-largest in North America. It is pursuing commercial banking and capital markets growth and is focusing on improving its risk management and credit quality. BMO's sustainability focused efforts have caused it to be named the most sustainable bank in North America on the Corporate Knights' Global 100 Most Sustainable Corporations list for the third year in a row.	Financials	4.0%
<b>Canadian Natural Resources</b> Canadian Natural Resources (CNQ) is an independent energy producer with operations focused in North America, mainly in Western Canada, the UK and South Africa. The company is one of Canada's largest energy producers and benefits from strength in commodity prices. The company has defined an integrated emissions management strategy which is comprised of different technologies and processes throughout its business, including storing, converting or utilizing remaining emissions and innovative facility designs.	Energy	4.0%

# Top Holdings continued

Company	Sector	% of Equities
<b>Enbridge</b> Enbridge operates an extensive network of oil, liquids and natural gas pipelines, gas distribution utilities and renewable power generation facilities. The company's growth outlook has improved due to the Russia/Ukraine conflict with European nations seeking to diversify their natural gas supplies and Enbridge benefitting from new LNG projects being approved.	Pipelines	3.9%
<b>Pembina Pipeline</b> Pembina is a North American midstream service provider. It owns an integrated system of pipelines, gas gathering and processing, oil and NGL infrastructure, and a growing export terminals business. Its diversified business segments provide the company with optionality for new growth projects and positions it to exceed consensus cash flow estimates on a consistent basis.	Pipelines	3.6%
<b>RioCan REIT</b> RioCan is Canada's largest retail REIT. It operates more than 200 properties across Canada with over 90% of its gross leasable land concentrated in Canada's six major markets. Its well-positioned urban land holdings have significant value-add potential, particularly in the multi-family sector. The company recently unveiled a 10 to 12% annual total return target over the next five years, driven by an annual distribution yield of 4 to 5% plus funds from operations/unit growth of 5 to 7%.	Real Estate	3.6%
<b>Topaz Energy</b> Topaz is a Canadian royalty and energy infrastructure company. It owns gross overriding royalty interests on approximately 5.3 million acres of land throughout Western Canada which benefit from increased production and drilling activity. Its infrastructure assets are supported by long-term, take-or-pay commitments which provide low-risk cash flows to support its dividend.	Energy	3.5%
<b>SmartCentres REIT</b> SmartCentres REIT is a Canadian retail REIT that specializes in open-air shopping centres. Approximately 70% of its centres are anchored by Walmart which drives foot traffic and supports neighbouring businesses. SmartCentres has built more than 170 predominantly Walmart-anchored shopping centres over the past 20 years and is actively diversifying into other real estate subsectors including residential, self-storage, office and seniors' residences.	Real Estate	3.5%

## Middlefield Limited

13 September 2022

*Past performance is not a guide to future performance.*

*This half-yearly financial report is available at: [www.middlefield.co.uk](http://www.middlefield.co.uk).*







# ESG Policy

## Middlefield ESG Policy

As Investment Manager, Middlefield Limited ("Middlefield") has a duty to maximize investment returns for the shareholders of the Fund, without undue risk of loss. Middlefield does this within the investment limits of the Fund's investment mandate. Although the Fund is not an ESG-focused or sustainable fund, Middlefield is increasingly incorporating ESG considerations into its investment process to aid decision making, identify potential risks and opportunities and to enhance long-term, risk-adjusted returns. In September 2021, Middlefield appointed Stephen Erlichman, one of the foremost experts on governance and ESG in Canada, as Chair, ESG to augment its ESG capabilities and processes.

It is Middlefield's responsibility to employ a disciplined investment process that seeks to identify attractive investment opportunities and evaluate material risks that could impact portfolio returns. Middlefield believes that ESG factors have become an important component of a thorough investment analysis and that the integration of ESG factors will result in a more comprehensive understanding of a company's strategy, culture and sustainability. Consistent with these objectives, Middlefield integrates ESG considerations into its investment process and these considerations are significant factors in selecting portfolio companies for its ESG-focused mandates.

Middlefield has adopted Stewardship Principles in order to effectively steward the assets it manages for its clients. The Stewardship Principles and its stewardship activities are set out below and are complementary to its ESG integration process.

ESG considerations are integral to Middlefield's investment decision-making, as well as its ongoing portfolio monitoring process. Its current ESG integration process includes the following:

1. Middlefield incorporates ESG scores and other ESG data in its multi-disciplined investment process to evaluate investments. Its methodology includes a qualitative review and assignment of ESG

scores to individual holdings. Each company is analyzed on an absolute basis and measured relative to its peers. The ESG scores and other ESG data are not the sole factors that govern its investment decisions, however, but rather constitute part of the information it reviews and consider alongside its fundamental, quantitative and qualitative research.

2. The ESG scoring framework considers the average ESG scores from several reputable third-party data providers. In addition, it cross-references potential investments with the constituents of relevant ESG indexes to assess their eligibility in ESG-focused mandates. The data providers it has chosen to incorporate into its ESG analysis currently are Sustainalytics, S&P, Bloomberg and Refinitiv.
3. Negative screening is implemented in ESG-focused mandates to exclude companies that operate in ethically-contentious industries (e.g. tobacco products and military weapons) as well as those involved in severe business controversies.
4. Positive screening is used to select companies that possess positive ESG characteristics. This process involves analyzing sustainability data provided by reputable third-parties to determine how companies are ESG-rated and ranked relative to peers.
5. ESG considerations also are integrated into our investment process by, among other things:
  - reviewing companies' public disclosure, including annual reports, proxy circulars, and, if available, sustainability or ESG reports;
  - conducting research and analysis on companies' ESG policies and practices;
  - obtaining third party research on companies;
  - engaging with companies, including from time to time having discussions with management teams (both before purchasing

shares for the portfolios and while our portfolios own such shares) on topics such as what initiatives and strategies have been put in place by the companies to deal with ESG considerations material to such companies; and

- monitoring shareholder meetings and voting proxies.

Many countries have established or are in the process of establishing standardised ESG disclosure requirements for corporate issuers. When enacted, these are expected to enhance the efficiency of the ongoing review and monitoring of a company's ESG practices.

Middlefield's approach to ESG integration may evolve over time as more ESG and sustainability research and data become available.

## Middlefield's Stewardship Principles

Middlefield, as a Canadian asset manager, understands it has the responsibility to be an effective steward of the assets it manages for its clients in order to enhance the value of those assets for the benefit of its clients. The CCGG has published a set of seven stewardship principles which have become recognised as Canada's stewardship code for institutional asset owners and asset managers. Middlefield believes that CCGG's stewardship principles should be tailored for asset managers depending on various factors, such as the size of the asset manager and the type of assets managed. Set out below are CCGG's seven stewardship principles and a description of how Middlefield, as an independent Canadian asset manager whose predominant assets are public and private investment funds that invest in Canadian and international equities, carries out or intends to carry out such principles.

### Principle 1.

Develop an approach to stewardship: Institutional investors should develop, implement and disclose their approach to stewardship and how they meet their stewardship responsibilities.



Middlefield integrates stewardship into its investment process. Such integration includes:

- a procedure for voting proxies (see Principle 3 below);
- monitoring companies (see Principle 2 below);
- engaging with companies (see Principle 4 below);
- outsourcing stewardship activities (by, inter alia, utilising a proxy advisory firm to assist in monitoring companies and voting proxies);
- reporting to its clients (as required by law); and
- managing potential conflicts of interest (via Middlefield's Independent Review Committee mandated by National Instrument 81-107, as well as Middlefield's Code of Conduct).

### Principle 2.

Monitor companies: Institutional Investors should monitor the companies in which they invest.

Middlefield monitors the companies in which it invests, including as follows:

- it reviews companies' public disclosures, including annual reports and proxy circulars;
- it conducts research and analysis on companies;
- it obtains third party research on companies;
- it engages with companies (see Principle 4 below); and
- it monitors formal shareholder meetings and, if there is a particularly important matter and it believes it is practical and appropriate to do so, it attends formal shareholder meetings.

### Principle 3.

Report on voting activities: Institutional investors should adopt and publicly disclose their proxy voting guidelines and how they exercise voting rights.

Middlefield exercises voting rights attached to the securities held by the funds it manages as follows:

- Middlefield uses the following proxy voting guidelines:
  - A. proxies will be voted in a manner that seeks to enhance the long-term sustainable value of the funds it manages; and
  - B. proxies will be voted in a manner consistent with leading Canadian and international corporate governance practices.
- on routine matters, Middlefield generally supports management and the board unless there are unusual circumstances; and
- Middlefield uses the services of a proxy advisory firm to assist in voting proxies. Middlefield assesses the voting recommendations of the proxy advisory firm but Middlefield also monitors leading Canadian and international corporate governance practices. Middlefield does not automatically follow the recommendations of the proxy advisory firm, but in most cases, it votes as recommended. Middlefield retains ultimate responsibility for all proxy voting decisions.

In addition, the public funds managed by Middlefield follow the proxy voting requirements of Part 10 of National Instrument 81-106 in regard to establishing policies and procedures for proxy voting and in regard to preparing and disclosing their proxy voting records.

### Principle 4.

Engage with companies: Institutional investors should engage with portfolio companies.

Middlefield engages with portfolio companies as follows:

- Middlefield engages with management of portfolio companies regularly, both before shares are purchased for the funds it manages and also while its funds own shares of the portfolio companies; and

- When Middlefield believes it is warranted, it may escalate engagement activities by engaging with directors, by voting against or withholding votes from directors or by voting against companies' "say on pay" resolutions.

### Principle 5.

Collaborate with other institutional investors: Institutional investors should collaborate with other institutional investors where appropriate.

Middlefield collaborates with other institutional investors through investor associations to which Middlefield belongs such as the Responsible Investment Association (RIA).

### Principle 6.

Work with policy makers: Institutional investors should engage with regulators and other policy makers where appropriate.

Middlefield's professional advisors, such as the law firms and accounting firms it retains, assist to keep it up to date on developments that are material to it as an asset manager. It utilises its professional advisors, and it also relies on the organisations to which it belongs, to engage on its behalf with regulators and policy makers where appropriate.

### Principle 7.

Focus on long-term sustainable value: Institutional investors should focus on promoting the creation of long-term sustainable value.

Middlefield focuses on a portfolio company's long-term success and sustainable value creation, including as follows:

- Middlefield focuses on a company's management and strategy, as well as its risks (both company specific and systemic); and
- Middlefield considers environmental, social and governance factors that are relevant to a company and integrates such factors into its investment activities.

# ESG Policy continued

## ESG Case Studies

### Royal Bank of Canada (Top 19% ESG ranking and 2.7% of the portfolio as at 30 June 2022)



#### Summary:

Royal Bank (RBC) is Canada's largest bank with more than a trillion dollars in assets, 17 million clients and 87,000 employees. Its domestic operations include extensive banking and wealth management networks which are complemented by large global capital markets businesses. RBC's scale advantages position it to gain market share in Canada and pursue growth in the U.S. retail banking segment.

#### Highlights:

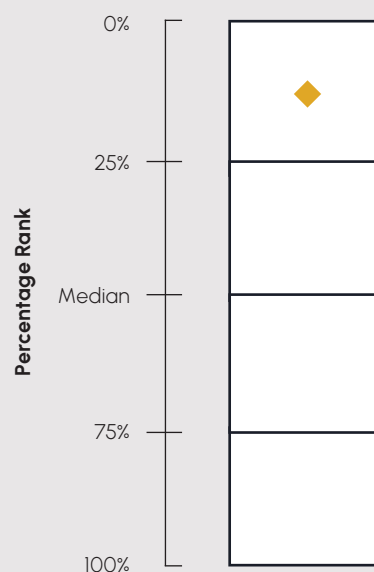
- Committed to achieve net-zero emissions in lending by 2050 with goals disclosed in annual Task-Force on Climate-Related Financial Disclosures (TCFD) reports
- In 2017, RBC was the first Canadian bank to publish TCFD aligned disclosures on climate risks and opportunities
- Ranked #2 in Refinitiv's 2021 Diversity and Inclusion Index which was underpinned by 51% and 37% of new hires being women and BIPOC, respectively

#### Top ESG Issues:

- Directing more capital towards sustainable financing with a target of \$500 billion by 2025
- Supporting young individuals and improving diversity and inclusion through its \$500 million investment in RBC Future Launch – a donation program aimed at creating solutions for a diverse mix of young people that lack relevant experience, skills or professional networks and mentoring

#### ESG Ranking Relative to the Fund's Benchmark:

##### Royal Bank of Canada (Top 19%)



Sources: S&P, Sustainalytics, Bloomberg



## RioCan REIT (Top 29% ESG ranking and 3.6% of the portfolio as at 30 June 2022)

**RIO CAN**™

### Summary:

RioCan is one of the largest REITs in Canada with over 90% of its gross leasable land concentrated in Canada's six major markets. Its well-positioned urban land holdings have significant value-add potential with an active development pipeline that spans 42 projects with 22 million square feet of potential density. The company recently unveiled a 10 to 12% annual total return target over the next five years, driven by an annual distribution yield of 4 to 5% plus funds from operations/unit growth of 5 to 7%.

### Highlights:

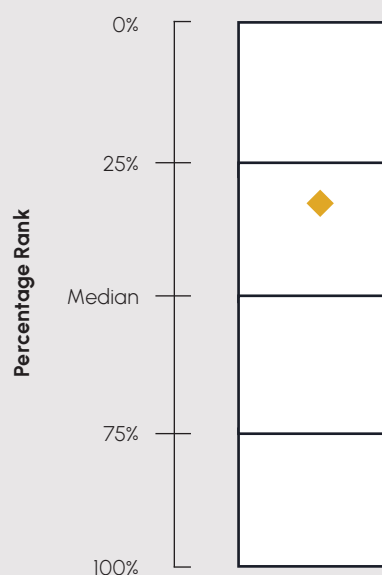
- RioCan's 2030 targets include a 13% reduction in like-for-like energy use, a 10% reduction in water consumption, 15% reduction in GHG emissions and a 60% waste diversion rate
- Developed an internal ESG Performance Scorecard to track corporate sustainability metrics and individual contributions to sustainability
- Established an employee Diversity, Equity & Inclusion Council in 2020 which has contributed to women representing 43% of management positions and 53% of all employees

### Top ESG Issues:

- Energy reduction initiatives which include energy assessments, LED retrofits and enhancements to building automation
- Identifying and selecting green eligible projects to invest the proceeds from RioCan's three green bond offerings

### ESG Ranking Relative to the Fund's Benchmark:

#### RioCan REIT (Top 29%)



Sources: S&P, Sustainalytics, Bloomberg







# Corporate Information

## Registered Office

28 Esplanade  
St Helier  
Jersey JE2 3QA

## Directors

Michael Phair (Chairman)  
Kate Anderson  
Phillip Bisson  
Janine Fraser  
Richard Hughes  
Dean Orrico

## Service Providers

### Assistant Secretary

JTC Fund Solutions (Jersey) Limited  
28 Esplanade  
St. Helier  
Jersey, JE2 3QA

### Investment Advisor

Middlefield International Limited  
288 Bishopsgate  
London, EC2M 4QP

### Investment Manager

Middlefield Limited  
Suite 5855  
100 King St W  
Toronto, Ontario  
Canada, M5X 1A6

### Legal Advisers

#### In England

Ashurst LLP  
London Fruit & Wool Exchange  
1 Duval Square  
London, E1 6PW

#### In Jersey

Carey Olsen Jersey LLP  
47 Esplanade  
St. Helier  
Jersey, JE1 0BD

#### In Canada

Fasken Martineau DuMoulin LLP  
Bay Adelaide Centre  
Box 20, Suite 2400  
333 Bay Street  
Toronto, Ontario  
Canada, M5H 2T6

## Broker and Corporate Advisor

Investec Bank plc  
30 Gresham Street  
London, EC2V 7QP

## Custodian

RBC Investor Services Trust  
155 Wellington Street West  
2nd Floor  
Toronto, Ontario  
Canada, M5V 3L3

## Registrar

Link Market Services (Jersey) Limited  
12 Castle Street  
St. Helier  
Jersey, JE2 3RT

## CREST Agent, UK Paying Agent and Transfer Agent

Link Market Services Limited  
10th Floor Central Square  
29 Wellington Street  
Leeds, LS1 4DL

## Independent Auditor

### RSM Channel Islands (Audit) Limited

40 Esplanade  
St. Helier  
Jersey, JE4 9RJ

## Financial Calendar

### Annual Results

Announced April 2022

### Dividend Payment Dates

Last Business Day of January, April,  
July and October

### Annual General Meetings

16 June 2022

### Half Yearly Results

Announced September 2022

## Information Sources

For more information about the Company and Fund, visit the website  
[www.middlefield.co.uk/mcit.htm](http://www.middlefield.co.uk/mcit.htm)

# Condensed Statement of Financial Position of the Fund (Unaudited)

As at 30 June 2022

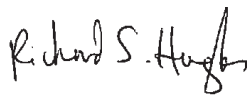
with unaudited comparatives as at 30 June 2021  
and audited comparatives as at 31 December 2021

	Notes	30.06.2022 GBP	30.06.2021 GBP	31.12.2021 GBP
<b>Current assets</b>				
Securities (at fair value through profit or loss)	3 & 18	176,334,263	167,714,894	180,581,681
Accrued dividend income		605,786	519,594	608,793
Other receivables		–	2	–
Prepayments		10,734	11,486	21,090
Cash and cash equivalents	4	3,318,554	1,994,433	2,905,019
		180,269,337	170,240,409	184,116,583
<b>Current liabilities</b>				
Other payables and accruals	5	(505,129)	(424,194)	(429,362)
Interest payable		(111,628)	(35,064)	(24,993)
Loan payable	14	(31,667,987)	(34,316,372)	(37,973,792)
		(32,284,744)	(34,775,630)	(38,428,147)
<b>Net assets</b>		<b>147,984,593</b>	<b>135,464,779</b>	<b>145,688,436</b>
<b>Equity attributable to equity holders</b>				
Stated capital	6	49,704,414	49,704,414	49,704,414
Retained earnings		98,280,179	85,760,365	95,984,022
<b>Total Shareholders' equity</b>		<b>147,984,593</b>	<b>135,464,779</b>	<b>145,688,436</b>
<b>Net asset value per redeemable participating preference share (pence)</b>	7	<b>138.97</b>	<b>127.21</b>	<b>136.81</b>

The unaudited interim financial statements and notes on pages 24 to 39 were approved by the directors on 13 September 2022 and signed on behalf of the Board by:



Michael Phair  
Director



Richard Hughes  
Director

The accompanying notes on pages 28 to 39 form an integral part of these unaudited interim financial statements.

# Condensed Statement of Comprehensive Income of the Fund (Unaudited)

For the period 1 January 2022 to 30 June 2022 with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

	Notes	Six months ended 30 June 2022			Six months ended 30 June 2021	Year ended 31 December 2021
		Revenue GBP	Capital GBP	Total GBP	Total GBP	Total GBP
<b>Revenue</b>						
Dividend and interest income	8	4,453,419	–	4,453,419	3,631,288	7,480,275
Net movement in the fair value of securities (at fair value through profit or loss)	9	–	5,439,241	5,439,241	26,944,501	37,737,269
Net movement on foreign exchange		–	(2,956,333)	(2,956,333)	(437,422)	(491,485)
<b>Total revenue</b>		<b>4,453,419</b>	<b>2,482,908</b>	<b>6,936,327</b>	<b>30,138,367</b>	<b>44,726,059</b>
<b>Expenditure</b>						
Investment management fees		215,893	323,839	539,732	428,889	920,262
Custodian fees		11,296	–	11,296	6,752	15,637
Sponsor's fees		38,552	–	38,552	30,636	–
Other expenses		382,784	–	382,784	309,567	708,754
<b>Operating expenses</b>		<b>648,525</b>	<b>323,839</b>	<b>972,364</b>	<b>775,844</b>	<b>1,644,653</b>
<b>Net operating profit before finance costs</b>		<b>3,804,894</b>	<b>2,159,069</b>	<b>5,963,963</b>	<b>29,362,523</b>	<b>43,081,406</b>
Finance cost		(120,096)	(180,145)	(300,241)	(152,632)	(343,341)
<b>Profit before tax</b>		<b>3,684,798</b>	<b>1,978,924</b>	<b>5,663,722</b>	<b>29,209,891</b>	<b>42,738,065</b>
Withholding tax expense		(652,140)	–	(652,140)	(541,486)	(1,130,578)
<b>Net profit</b>		<b>3,032,658</b>	<b>1,978,924</b>	<b>5,011,582</b>	<b>28,668,405</b>	<b>41,607,487</b>
<b>Profit per redeemable participating preference share – basic and diluted (pence)</b>	10	<b>2.85</b>	<b>1.86</b>	<b>4.71</b>	<b>26.92</b>	<b>39.07</b>

The total column of this statement represents the Fund's Statement of Comprehensive Income, prepared in accordance with UK-adopted IFRS and IFRS as adopted by the European Union. There are no items of other comprehensive income, therefore profit/(loss) after taxation is the total comprehensive income. The supplementary revenue and capital columns are both prepared in accordance with the Statement of Recommended Practice issued by the AIC as disclosed in note 2a. All items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period/year.

There are £nil (2021: £nil) earnings attributable to the management shares.

The accompanying notes on pages 28 to 39 form an integral part of these unaudited interim financial statements.



# Condensed Statement of Changes in Redeemable Participating Preference Shareholders' Equity of the Fund (Unaudited)

For the period 1 January 2022 to 30 June 2022 with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

	Notes	Stated Capital Account GBP	Retained Income GBP	Total GBP
<b>At 1 January 2021</b>		<b>49,704,414</b>	<b>59,807,385</b>	<b>109,511,799</b>
Profit for the period		–	28,668,405	28,668,405
Dividends paid	11	–	(2,715,425)	(2,715,425)
<b>At 30 June 2021</b>		<b>49,704,414</b>	<b>85,760,365</b>	<b>135,464,779</b>
Profit for the period		–	12,939,082	12,939,082
Dividends paid		–	(2,715,425)	(2,715,425)
<b>At 31 December 2021</b>		<b>49,704,414</b>	<b>95,984,022</b>	<b>145,688,436</b>
Profit for the period		–	5,011,582	5,011,582
Dividends paid	11	–	(2,715,425)	(2,715,425)
<b>At 30 June 2022</b>		<b>49,704,414</b>	<b>98,280,179</b>	<b>147,984,593</b>

The accompanying notes on pages 28 to 39 form an integral part of these unaudited interim financial statements.

# Condensed Statement of Cash Flows of the Fund (Unaudited)

**For the period 1 January 2022 to 30 June 2022  
with unaudited comparatives for the period 1 January 2021 to  
30 June 2021 and audited comparatives for the year ended  
31 December 2021**

	Notes	Six months ended 30 June		Year ended 31 December
		2022 GBP	2021 GBP	2021 GBP
<b>Cash flows from/(used in) operating activities</b>				
Net profit		5,011,582	28,668,405	41,607,487
Adjustments for:				
Net movement in the fair value of securities (at fair value through profit or loss)	9	(5,439,241)	(26,944,501)	(37,737,269)
Realised loss/(gain) on foreign exchange		2,189,593	(51,206)	828,918
Unrealised loss/(gain) on foreign exchange		766,740	488,628	(337,433)
Payment for purchases of securities		(24,659,077)	(31,635,051)	(60,709,326)
Proceeds from sale of securities		34,345,914	20,429,479	47,429,734
<b>Operating cash flows before movements in working capital</b>		12,215,511	(9,044,246)	(8,917,889)
Decrease/(increase) in receivables		13,363	(89,829)	(188,630)
Increase in payables and accruals		162,224	118,740	113,836
<b>Net cash from/(used in) operating activities</b>		12,391,098	(9,015,335)	(8,992,683)
<b>Cash flows (used in)/from financing activities</b>				
Repayment of borrowings		(102,287,072)	(54,359,536)	(161,975,394)
New bank loans raised		95,981,267	62,900,613	174,173,893
Dividends paid	11	(2,715,425)	(2,715,425)	(5,430,850)
<b>Net cash (used in)/from financing activities</b>		(9,021,230)	5,825,652	6,767,649
Net increase/(decrease) in cash and cash equivalents		3,369,868	(3,189,683)	(2,225,034)
Cash and cash equivalents at the beginning of period		2,905,019	5,621,538	5,621,538
Effect of foreign exchange rate changes		(2,956,333)	(437,422)	(491,485)
<b>Cash and cash equivalents at the end of period</b>	4	3,318,554	1,994,433	2,905,019
<b>Cash and cash equivalents made up of:</b>	4			
Cash at bank		3,318,554	1,994,433	2,905,019

The accompanying notes on pages 28 to 39 form an integral part of these unaudited interim financial statements.

# Notes to the Financial Statements of the Fund (Unaudited)

**For the period 1 January 2022 to 30 June 2022**

**with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021**

## 1. General Information

The Company is a closed-ended investment company incorporated in Jersey on 24 May 2006. The Company has one closed-ended cell, Middlefield Canadian Income – GBP PC, also referred to as the “Fund”. The Fund seeks to provide shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year. The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and the U.S. that the Investment Manager believes will provide an attractive level of distributions, together with the prospect for capital growth. In 2015, shareholders also approved an amendment to the Investment Policy to increase the percentage of the value of portfolio assets which may be invested in securities listed in recognized stock exchange outside Canada to up to 40 per cent.

The address of the Company's registered office is 28 Esplanade, St. Helier, Jersey JE2 3QA, Channel Islands.

The Fund's shares have been admitted to the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities.

The Company and Fund have no employees.

The functional and presentational currency of the Company and the Fund is Pound Sterling GBP.

The half yearly report and interim condensed financial statements have not been audited or reviewed by the auditor, RSM Channel Islands (Audit) Limited, pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'.

The information presented for the year ended 31 December 2021 does not constitute the statutory financial statements of the Company. Copies of the statutory financial statements for that year have been delivered to the Registrar of Companies in Jersey and to the UK Financial Conduct Authority's National Storage Mechanism. Copies are also available from the Company's website [www.middlefield.co.uk](http://www.middlefield.co.uk). The Auditor's report on those financial statements was unqualified.

## 2. Principal Accounting Policies

### a. Basis of preparation

The interim condensed financial information for the period ended 30 June 2022 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the United Kingdom. The interim condensed financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with UK-adopted IFRS as required by the UK Listing and Disclosure Guidance and Transparency Rules.

The interim condensed financial statements have been prepared on the historical cost basis, except for the revaluation of fair value through profit or loss investments, and in accordance with IFRS. The condensed statement of comprehensive income is presented in accordance with the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in January 2009 by the Association of Investment Companies ("AIC"), to the extent that it does not conflict with IFRS.

The condensed statement of financial position, condensed statement of comprehensive income, condensed statement of changes in redeemable participating preference shareholders' equity and condensed cash flow statement refer solely to the Fund. The non-cellular assets comprise two Management Shares. However, there has been no trading activity with regards to the non-cellular assets.

### *Adoption of new standards and interpretations*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 January 2022 that have had a material impact on the Company.

### *New standards and interpretations not yet effective and have not been adopted early by the Company*

- IAS 1, 'Presentation of financial statements on classification of liabilities' (effective periods commencing on or after 1 January 2023 for IFRS as adopted by the European Union and 1 January 2024 for UK-adopted IFRS).
- IFRS 17, 'Insurance contracts' (effective periods commencing on or after 1 January 2023).

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.



# Notes to the Financial Statements of the Fund

## (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

## 2. Principal Accounting Policies continued

### b. Going concern

In the opinion of the Directors, there is a reasonable expectation that the Company and the Fund have adequate resources to continue in operational existence for the foreseeable future. For this reason, the interim financial statements have been prepared on the going concern basis.

The Directors have arrived at this opinion by considering, inter alia, the following factors:

- the Fund has sufficient liquidity to meet all on-going expenses and repayment of external borrowings; and
- the portfolio of investments held by the Fund materially consists of listed investments which are readily realisable and therefore the Fund will have sufficient resources to meet its liquidity requirements.

### c. Business and geographical segments

The Directors are of the opinion that the Fund is engaged in a single segment of business investing predominantly in securities and REITs domiciled in Canada and the U.S. to which the Fund is solely exposed and therefore no segment reporting is provided.

## 3. Securities (at fair value through profit and loss)

	30.06.2022 GBP	30.06.2021 GBP	31.12.2021 GBP
Quoted/listed Equities	176,334,263	167,714,894	180,581,681

Please refer to Note 18 for the Schedule of Investments.

## 4. Cash and cash equivalents

	30.06.2022 GBP	30.06.2021 GBP	31.12.2021 GBP
Cash at bank	3,318,554	1,994,433	2,905,019

Cash and cash equivalents comprise cash held by the Fund and bank balances with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

## 5. Other payables and accruals

	30.06.2022 GBP	30.06.2021 GBP	31.12.2021 GBP
Investment management fees (Note 13)	278,474	227,197	252,026
Sponsor's fees	19,891	16,228	35,098
Audit fees	12,397	12,397	25,000
Administration fees	39,782	32,457	36,004
General expenses	2,519	10,363	7,662
Directors' fees	27,000	63,679	–
Registrar's fees	18,103	7,821	9,002
Custodian fees	3,978	2,302	7,020
Tax service fees	8,401	–	5,616
Marketing fees	–	3,906	4,242
Investor relations fee (Note 13)	51,606	42,127	47,692
National Insurance	42,978	5,717	–
	505,129	424,194	429,362

# Notes to the Financial Statements of the Fund

## (Unaudited) continued

**For the period 1 January 2022 to 30 June 2022**

**with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021**

### 6. Stated capital

The authorised share capital of the Fund is split into two management shares of no par value and an unlimited number of redeemable participating preference shares of no par value, the latter of which are attributable solely to the Fund.

	No. of shares	GBP
<b>Management shares issued</b>		
<b>At 24 May 2006</b>	–	–
2 management shares of no par value issued at 100.00 pence each	2	2
<b>At 30 June 2022, 30 June 2021 and 31 December 2021</b>	<b>2</b>	<b>2</b>
<b>Redeemable participating preference shares issued (excluding shares held in treasury)</b>		
<b>At 31 December 2021</b>	<b>106,487,250</b>	<b>49,704,412</b>
Movement for the period	–	–
<b>At 30 June 2022</b>	<b>106,487,250</b>	<b>49,704,412</b>
<b>Total stated capital at 30 June 2022</b>		<b>49,704,414</b>

The holders of redeemable participating preference shares are entitled to receive in proportion to their holdings, all of the revenue profits of the Fund (including accumulated revenue reserves).

Each redeemable participating preference shareholder is entitled to one vote for each share held, provided all amounts payable in respect of that share have been paid.

Management shares are non-redeemable, have no right in respect of the accrued entitlement, and have no right to participate in the assets of the Fund on a winding-up. In all other respects, the management shares have the same rights and restrictions as redeemable participating preference shares. Each management share entitles the holder to one vote for each share held.

Redeemable participating preference shares are redeemed at the absolute discretion of the directors. Since redemption is at the discretion of the directors, in accordance with the provisions of IAS 32, the redeemable participating preference shares are classified as equity. The Fund will not give effect to redemption requests in respect of more than 25 per cent. of the shares then in issue, or such lesser percentage as the directors may decide.

At the period end, there were 18,195,000 (30 June 2021: 18,195,000, 31 December 2021: 18,195,000) treasury shares in issue. Treasury shares have no value and no voting rights.

#### FCA regulation of 'non-mainstream pooled investments'

On 1 January 2014, the FCA introduced rules relating to the restrictions on the retail distribution of unregulated collective investment schemes and close substitutes (non-mainstream pooled investments). UK investment trusts are excluded from these restrictions, as are other "excluded securities" as defined by the FCA.

As reported in last year's annual report, the Board believes that the Company's shares are "excluded securities" under the FCA's definitions of such and, as a result, the FCA's restrictions on retail distribution do not apply. This status is reviewed regularly and the Board intends to conduct the Company's affairs to retain such status for the foreseeable future.

#### Retained Earnings

This reserve records all net gains and losses and transactions with owners not recorded elsewhere. This reserve is available for distribution to the shareholders. Dividends paid to shareholders are recognised directly in this reserve.

### 7. Net asset value per redeemable participating preference share

The net asset value per share of 138.97p (30 June 2021: 127.21p, 31 December 2021: 136.81p) is based on the net assets at the period end of £147,984,593 (30 June 2021: £135,464,779, 31 December 2021: £145,688,436) and on 106,487,250 redeemable participating preference shares, being the number of redeemable participating preference shares in issue (excluding shares held in treasury) at the period end (30 June 2021: 106,487,250 shares, 31 December 2021: 106,487,250 shares).

# Notes to the Financial Statements of the Fund (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

## 8. Dividend and interest income

	Period ended 30.06.2022			30.06.2021 GBP	31.12.2021 GBP
	Revenue GBP	Capital GBP	Total GBP		
Bond and debenture interest	–	–	–	–	–
Bank and loan interest	3,406	–	3,406	1,734	3,140
Dividend income	4,450,013	–	4,450,013	3,629,554	7,477,135
	4,453,419	–	4,453,419	3,631,288	7,480,275

## 9. Net movement in the fair value of securities

	Period ended 30.06.2022			30.06.2021 GBP	31.12.2021 GBP
	Revenue GBP	Capital GBP	Total GBP		
Net movement in the fair value of securities (at fair value through profit or loss)	–	5,439,241	5,439,241	26,944,501	37,737,269

## 10. Profit/(loss) per redeemable participating preference share – basic and diluted

The revenue gain per share is based on £3,032,658 (30 June 2021: £2,510,239, 31 December 2021: £5,119,865) net revenue gain on ordinary activities and a weighted average of 106,487,250 (30 June 2021: 106,487,250, 31 December 2021: 106,487,250) shares in issue. The capital gain per share is based on £1,978,924 (30 June 2021: £26,158,166 net capital gain, 31 December 2021: £36,487,622 net capital gain) net capital gain for the period and a weighted average of 106,487,250 shares in issue (30 June 2021: 106,487,250, 31 December 2021: 106,487,250).

## 11. Dividends

Dividends of 1.275 pence per share were paid on a quarterly basis during the period in the months of January and April totalling £2,715,425 (30 June 2021: £2,715,425). On 29 July 2022, a dividend of £1,357,712 was paid. In accordance with the requirements of IFRS, as this was approved on 7 July 2022, being after the Statement of Financial Position date, no accrual was reflected in the 2022 interim financial statements for this amount of £1,357,712 (1 July 2021: £1,357,712).

## 12. Taxation

The Company adopted UK tax residency on 11 October, 2011. Since that date, the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. As an investment trust, all capital gains are exempt from UK corporate tax. Accordingly, no UK tax has been provided for. On 7 December 2012, the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved at the end of every year.

## 13. Related party transactions

The directors are regarded as related parties. Total directors' fees earned during the period amounted to £66,491, of which £27,000 remained outstanding at the period end. In addition, the balance of directors' fees owed on account of the year ended 31 December, 2021 was £nil (30 June 2021: £62,179 of which £62,179 remained outstanding at the period end including £1,500 due from 31 December 2021 for a total of £63,679 due at the period end).

The Investment Manager is also regarded as a related party due to common ownership. Total management fees paid during the period amounted to £539,732 (30 June 2021: £428,889, 12 months to 31 December 2021: £920,262).

The Investment Advisor and Investment Manager are also paid an additional fee for investor relations services. The fee for the period amounted to £51,606 (30 June 2021: £79,192, 12 months to 31 December 2021: £170,467).

These fees for the above are all arms' length transactions.



# Notes to the Financial Statements of the Fund

## (Unaudited) continued

**For the period 1 January 2022 to 30 June 2022**

**with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021**

### 14. Loan payable

The Fund has a Credit Facility Agreement with RBC whereby RBC provides the Credit Facility, with a maximum principal amount of the lesser of CAD 65,000,000 and 25 per cent. of the total asset value of the Fund.

At 30 June 2022, the amount drawn down under the Credit Facility was CAD 50,000,000 (GBP equivalent at amortised cost of £31,667,987) (period ended 30 June 2021: CAD 59,000,000 (GBP equivalent at amortised cost of £34,316,372), year ended 31 December 2021: CAD 65,000,000 (GBP equivalent at amortised cost of £37,973,792)).

The loan value of CAD 50,000,000 was made up of nine loans as follows:

Issue date	Maturity date	Loan amount
12 April 2022	11 July 2022	CAD 10,000,000.00
12 April 2022	11 July 2022	CAD 3,000,000.00
19 April 2022	18 July 2022	CAD 2,000,000.00
31 May 2022	29 August 2022	CAD 4,000,000.00
13 June 2022	13 July 2022	CAD 7,000,000.00
13 June 2022	12 September 2022	CAD 5,000,000.00
13 June 2022	12 September 2022	CAD 5,000,000.00
20 June 2022	19 September 2022	CAD 10,000,000.00
20 June 2022	20 July 2022	CAD 4,000,000.00

As at 30 June 2022, pre-paid interest and stamping fees of £112,718 (period ended 30 June 2021: £50,161, year ended 31 December 2021: £22,897) were paid on the bankers' acceptance of which £7,562 is amortised over a period of 30 days, £23,898 is amortised over a period of 90 days and £81,258 is amortised over a period of 91 days. Interest paid on the bankers' acceptance totalled £269,662 (period ended 30 June 2021: £67,643, year ended 31 December 2021: £133,591).

Interest is calculated at an annual percentage equal to, in the case of Prime Loans, the Prime Rate minus 0.35 per cent. In the case of a Banker's Acceptance, a stamping fee of 0.60 per cent. per annum is payable.

### 15. Security agreement

In connection with entry into the Credit Facility Agreement, the Fund has entered into a general security agreement with RBC, pursuant to which the Fund has granted RBC interests in respect of collateral, being all present and future personal property, including the securities portfolio, as security for the Fund's obligations under the Credit Facility Agreement.

### 16. Financial instruments

#### Fair values

The carrying amounts of the investments, accrued income, other receivables, cash and cash equivalents, loan payable and other payables approximate to their fair values. In 2015, the percentage of the value of portfolio assets which may be invested in securities listed on a recognized stock exchange outside Canada was increased to up to 40 percent.

#### Management of capital

The Investment Manager manages the capital of the Fund in accordance with the Fund's Investment Objectives and Policy.

The capital structure of the Fund consists of proceeds from the issue of preference shares, loans and reserve accounts. The Investment Manager manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure, the Fund may borrow or repay debt under its Credit Facility or undertake other activities deemed appropriate under the specific circumstances. The Fund and the Company do not have any externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and complied with those covenants in the 6 months to 30 June 2022 and in 2021.

#### Investment and trading activities

It is intended that the Fund will continue throughout its life to be primarily invested in Canadian and U.S. equities portfolio.

The Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Fund is exposed are market price risk, interest rate risk and currency risk.

# Notes to the Financial Statements of the Fund (Unaudited) continued

**For the period 1 January 2022 to 30 June 2022**

**with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021**

## 16. Financial instruments continued

### Credit risk

Credit risk is the risk that an issuer or counterparty may be unable or unwilling to meet a commitment that it has entered into with the Fund.

The Fund's principal financial assets are bank balances and cash, other receivables and investments as set out in the Statement of Financial Position which represents the Fund's maximum exposure to credit risk in relation to the financial assets. The credit risk on bank balances is limited because the counterparties are banks with high credit ratings of A-, AA- and A+ assigned by Standard and Poor's rating agency. All transactions in listed securities are settled 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 obligations. Where the Investment Manager makes an investment in debt or corporate securities, the credit rating of the issuer is taken into account to manage the Company's exposure to risk of default. Investments in debt or corporate securities are across a variety of sectors and geographical markets, to avoid concentration of credit risk.

The Fund's maximum exposure to credit risk is the carrying value of the assets on the Statement of Financial Position.

### Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. The Fund's exposure to market price risk is comprised mainly of movements in the value of the Fund's investments.

It is the business of the Investment Manager to manage the portfolio and borrowings to achieve the best returns. The directors manage the risk inherent in the portfolio by monitoring, on a formal basis, the Investment Manager's compliance with the Company's stated Investment Policy and reviewing investment performance.

### Country risk

On 17 January 2012, the FRC released "Responding to the increased country and currency risk in financial reports". This update from the FRC included guidance on responding to the increased country and currency risk as a result of funding pressures on certain European countries, the curtailment of capital spending programmes (austerity measures) and regime changes in the Middle East.

The Fund invests primarily in Canadian and U.S. securities. The Investment Manager monitors the Company's exposure to foreign currencies on a daily basis. The Board has reviewed the disclosures and believes that no additional disclosures are required because the Canadian and U.S. economies are stable.

### Fair value measurements

IFRS 13 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; or
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); or
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

# Notes to the Financial Statements of the Fund

## (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

### 16. Financial instruments continued

#### Fair value measurements continued

The following tables present the Fund's financial instruments by level within the valuation hierarchy as of 30 June 2022 and 31 December 2021:

30 June 2022	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
<b>Financial assets</b>				
Securities (at fair value through profit or loss)	176,334,263	–	–	176,334,263
<b>31 December 2021</b>	<b>Level 1 GBP</b>	<b>Level 2 GBP</b>	<b>Level 3 GBP</b>	<b>Total GBP</b>
<b>Financial assets</b>				
Securities (at fair value through profit or loss)	180,581,681	–	–	180,581,681

The Fund holds securities that are traded in active markets. Such financial instruments are classified as Level 1 of the IFRS 13 fair value hierarchy. There were no transfers between Level 1, 2 and 3 during the period.

#### Price sensitivity

At 30 June 2022, if the market prices of the securities had been 30% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable participating preference shares would have been £52,900,279 (30 June 2021: £50,314,468, December 2021: £54,174,504), arising due to the increase in the fair value of financial assets at fair value through profit or loss by £52,900,279 (30 June 2021: £50,314,468, December 2021: £51,174,504).

At 30 June 2022, if the market prices of the securities had been 30% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable participating preference shares would have been equal, but opposite, to the figures stated above.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate sensitive assets and liabilities mainly comprise cash and cash equivalents, debt securities and loan payable. The cash and cash equivalents are subject to floating rates and are considered to be part of the investment strategy of the Fund. No other hedging is undertaken in respect of this interest rate risk.

The following table details the Fund's exposure to interest rate risk at 30 June 2022, 30 June 2021 and 31 December 2021:

Floating rate assets					
	Weighted average interest at period end	30.06.2022 GBP	Weighted average interest at period end	30.06.2021 GBP	Weighted Average interest at year end
<b>Assets</b>					31.12.2021 GBP
Cash and cash equivalents *	*	3,318,554	*	1,994,433	2,905,019
		<b>3,318,554</b>		<b>1,994,433</b>	<b>2,905,019</b>
<b>Liabilities</b>					
Loan payable (note 14)		31,667,987		34,316,372	37,973,792
		<b>31,667,987</b>		<b>34,316,372</b>	<b>37,973,792</b>

\* Interest on bank balances are not material to the financial statements and are based on prevailing bank base rates.

The above analysis excludes short term debtors and creditors as all material amounts are non-interest bearing.



# Notes to the Financial Statements of the Fund

## (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

### 16. Financial instruments continued

#### Interest rate sensitivity analysis

At 30 June 2022, had interest rates been 50 basis points higher and all other variables were held constant, the Company's net assets attributable to the redeemable participating preference shares would have decreased by £141,747 (30 June 2021: £161,610, 31 December 2021: £175,344) due to an increase in interest payable on the loan and to a lesser extent an increase in interest earnings on cash and cash equivalents.

#### Liquidity risk

Liquidity risk is the risk that the Fund cannot meet its liabilities as they fall due. The Fund's primary source of liquidity consists of cash and cash equivalents, securities at fair value through profit or loss and the Credit Facility.

The Fund's investments are considered to be readily realisable, predominantly issued by Canadian and U.S. companies and REITs listed on a Canadian Stock Exchange, and actively traded.

As at 30 June 2022, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
<b>Assets</b>					
Securities (at fair value through profit or loss)	176,334,263	–	–	–	176,334,263
Accrued dividend income	580,846	24,940	–	–	605,786
Prepayments	10,734	–	–	–	10,734
Cash and cash equivalents	3,318,554	–	–	–	3,318,554
	<b>180,244,397</b>	<b>24,940</b>	<b>–</b>	<b>–</b>	<b>180,269,337</b>
<b>Liabilities</b>					
Other payables and accruals	(505,129)	–	–	–	(505,129)
Interest payable	(91,840)	(19,788)	–	–	(111,628)
Loan payable	(16,472,193)	(15,195,794)	–	–	(31,667,987)
	<b>(17,069,162)</b>	<b>(15,215,582)</b>	<b>–</b>	<b>–</b>	<b>(32,284,744)</b>
	<b>163,175,235</b>	<b>(15,190,642)</b>	<b>–</b>	<b>–</b>	<b>147,984,593</b>

# Notes to the Financial Statements of the Fund

## (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

### 16. Financial instruments continued

#### Liquidity risk continued

As at 30 June 2021, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
<b>Assets</b>					
Securities (at fair value through profit or loss)	167,714,894	—	—	—	167,714,894
Accrued dividend income	484,405	35,189	—	—	519,594
Other receivables	2	—	—	—	2
Prepayments	11,486	—	—	—	11,486
Cash and cash equivalents	1,994,433	—	—	—	1,994,433
	<b>170,205,220</b>	<b>35,189</b>	<b>—</b>	<b>—</b>	<b>170,240,409</b>
<b>Liabilities</b>					
Other payables and accruals	(424,194)	—	—	—	(424,194)
Interest payable	(13,038)	(22,026)	—	—	(35,064)
Loan payable	(5,815,760)	(28,500,612)	—	—	(34,316,372)
	<b>(6,252,992)</b>	<b>(28,522,638)</b>	<b>—</b>	<b>—</b>	<b>(34,775,630)</b>
	<b>163,952,228</b>	<b>(28,487,449)</b>	<b>—</b>	<b>—</b>	<b>135,464,779</b>

As at 31 December 2021, the Fund's ability to manage liquidity risk was as follows:

	Less than 1 month GBP	1-3 months GBP	3 months to 1 year GBP	More than 1 year GBP	Total GBP
<b>Assets</b>					
Securities (at fair value through profit or loss)	180,581,681	—	—	—	180,581,681
Accrued dividend income	563,804	44,989	—	—	608,793
Other receivables	—	—	—	—	—
Prepayments	21,090	—	—	—	21,090
Cash and cash equivalents	2,905,019	—	—	—	2,905,019
	<b>184,071,594</b>	<b>44,989</b>	<b>—</b>	<b>—</b>	<b>184,116,583</b>
<b>Liabilities</b>					
Other payables and accruals	(429,362)	—	—	—	(429,362)
Interest payable	(24,216)	(777)	—	—	(24,993)
Loan payable	(35,640,421)	(2,333,371)	—	—	(37,973,792)
	<b>(36,093,999)</b>	<b>(2,334,148)</b>	<b>—</b>	<b>—</b>	<b>(38,428,147)</b>
	<b>147,977,595</b>	<b>(2,289,159)</b>	<b>—</b>	<b>—</b>	<b>145,688,436</b>

# Notes to the Financial Statements of the Fund

## (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

### 16. Financial instruments continued

#### Currency risk

The Fund is denominated in GBP, whereas the Fund's principal investments are denominated in CAD and USD. Consequently, the Fund is exposed to currency risk. The Fund's policy is therefore to actively monitor exposure to currency risk. The Board reserves the right to employ currency hedging but, other than in exceptional circumstances, does not intend to hedge. The Board considers that exposure was significant at the period end.

The Fund's net exposure to CAD currency at the period end was as follows:

	30 June 2022 GBP	30 June 2021 GBP	31 December 2021 GBP
<b>Assets</b>			
Cash and cash equivalents	3,011,842	1,751,640	2,638,241
Canadian equities	169,346,948	147,313,615	164,959,643
Accrued income	605,786	491,792	608,792
	<b>172,964,576</b>	<b>149,557,047</b>	<b>168,206,676</b>
<b>Liabilities</b>			
Loan payable	(31,667,987)	(34,316,372)	(37,973,792)
Interest payable	–	(14,696)	(24,993)
General Expenses	–	–	(397)
	<b>(31,667,987)</b>	<b>(34,331,068)</b>	<b>(37,999,182)</b>

The Fund's net exposure to USD currency at the period end was as follows:

	30 June 2022 GBP	30 June 2021 GBP	31 December 2021 GBP
<b>Assets</b>			
Cash and cash equivalents	67,018	64,681	34,472
United States equities	6,987,315	20,401,279	15,622,038
Accrued income	–	27,802	–
	<b>7,054,333</b>	<b>20,493,762</b>	<b>15,656,510</b>

#### Sensitivity analysis

As at 30 June 2022, had GBP strengthened against the CAD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £7,064,829 (30 June 2021: £5,761,299, 31 December 2021: £6,510,375). Had GBP weakened against the CAD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £7,064,829 (30 June 2021: £5,761,299, 31 December 2021: £6,510,375).

As at 30 June 2022, had GBP strengthened against the USD by 5%, with all other variables held constant, the decrease in net assets attributable to shareholders would amount to approximately £352,717 (30 June 2021: £1,024,688, 31 December 2021: £782,825). Had GBP weakened against the USD by 5%, this would amount to an increase in net assets attributable to shareholders of approximately £352,717 (30 June 2021: £1,024,688, 31 December 2021: £782,825).



# Notes to the Financial Statements of the Fund

## (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

### 17. Cash Flow statement reconciliation of financing activities

The following table discloses the effects of the amendments to IAS 7 Statement of Cash Flows that require additional disclosures about changes in an entity's financing liabilities arising from both cash flow and noncash flow items.

	1 January 2022 GBP	Cash flows GBP	Non-cash changes			30 June 2022 GBP
			Acquisition GBP	Foreign exchange movements GBP	Fair value changes GBP	
Financial liabilities held at amortised cost	37,973,792	(9,641,547)	–	3,335,742	–	31,667,987
<b>Total</b>	<b>37,973,792</b>	<b>(9,641,547)</b>	<b>–</b>	<b>3,335,742</b>	<b>–</b>	<b>31,667,987</b>

### 18. Schedule of Investments – Securities (at fair value through profit or loss)

As at 30 June 2022 (comparatives for the year ended 31 December 2021)

Description	Shares/Units	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
<b>Equities</b>					
<b>Bermuda – Quoted Investments 2.74% (2021: 2.62%)</b>					
<b>Utilities:</b>					
Brookfield Renewable Partners L.P.	170,000	4,521,767	4,831,816	3.26%	2.74%
<b>Canada – Quoted Investments 93.30% (2021: 88.72%)</b>					
<b>Energy:</b>					
Canadian Natural Resources Limited	160,000	3,641,726	7,044,889	4.76%	4.00%
Suncor Energy Inc.	190,000	4,569,149	5,465,708	3.69%	3.10%
Topaz Energy Corp.	475,000	4,409,035	6,135,288	4.14%	3.48%
Tourmaline Oil Corp.	80,000	3,208,817	3,408,653	2.30%	1.93%
Whitecap Resources Inc.	800,000	4,235,447	4,551,674	3.07%	2.58%
<b>Financials:</b>					
Bank of Montreal	90,000	4,801,092	7,105,165	4.80%	4.03%
Canadian Imperial Bank of Commerce	140,000	4,150,466	5,579,372	3.77%	3.16%
Manulife Financial Corporation	150,000	1,793,490	2,131,684	1.44%	1.21%
National Bank of Canada	50,000	1,918,145	2,689,799	1.82%	1.52%
Royal Bank of Canada	60,000	4,631,351	4,768,924	3.22%	2.70%
Sun Life Financial Inc.	40,000	1,063,820	1,504,042	1.02%	0.85%
The Bank of Nova Scotia	160,000	6,382,100	7,770,503	5.25%	4.41%
The Toronto-Dominion Bank	145,000	6,136,980	7,805,042	5.27%	4.43%
<b>Pipelines:</b>					
Enbridge Inc.	200,000	4,813,499	6,925,739	4.68%	3.93%
Gibson Energy Inc.	275,000	4,153,746	4,165,936	2.81%	2.36%
Keyera Corp.	300,000	3,961,661	5,623,894	3.80%	3.19%
Pembina Pipeline Corporation	220,000	4,677,505	6,366,603	4.30%	3.61%
TC Energy Corporation	110,000	3,976,920	4,663,743	3.15%	2.64%

# Notes to the Financial Statements of the Fund

## (Unaudited) continued

For the period 1 January 2022 to 30 June 2022

with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021

### 18. Schedule of Investments – Securities (at fair value through profit or loss)

continued

Description	Shares/Units	Book Cost GBP	Bid-Market Value GBP	% of Net Assets	% of Portfolio
<b>Power and Utilities:</b>					
Altgas Ltd.	350,000	3,601,875	6,052,208	4.09%	3.43%
Canadian Utilities Limited	160,000	3,424,952	3,916,889	2.65%	2.22%
Capital Power Corporation	260,000	4,574,204	7,457,831	5.04%	4.23%
Northland Power Inc.	200,000	3,240,379	4,880,803	3.30%	2.77%
Transalta Renewables Inc.	225,000	2,465,064	2,353,654	1.59%	1.33%
<b>Real Estate:</b>					
Allied Properties Real Estate Investment Trust	130,000	3,094,002	2,742,996	1.85%	1.56%
Canadian Apartment Properties Real Estate Investment Trust	90,000	2,668,157	2,568,927	1.74%	1.46%
Chartwell Retirement Residences	500,000	3,123,843	3,536,860	2.39%	2.01%
Choice Properties Real Estate Investment Trust	600,000	4,627,340	5,357,912	3.62%	3.04%
Crombie Real Estate Investment Trust	525,000	4,601,393	5,351,214	3.62%	3.03%
CT Real Estate Investment Trust	300,000	2,551,179	3,151,600	2.13%	1.79%
Dream Industrial Real Estate Investment Trust	455,000	3,196,728	3,502,958	2.37%	1.99%
Granite Real Estate Investment Trust	95,000	3,418,844	4,774,920	3.23%	2.71%
Northwest Healthcare Properties Real Estate Investment Trust	350,000	2,356,735	2,692,351	1.82%	1.53%
RioCan Real Estate Investment Trust	500,000	4,572,502	6,359,331	4.30%	3.61%
SmartCentres Real Estate Investment Trust	350,000	4,578,115	6,108,020	4.13%	3.46%
<b>United States – Quoted Investments 3.96% (2021: 8.66%)</b>					
<b>Financials:</b>					
Blackstone Group Inc.	40,000	3,456,043	2,996,358	2.02%	1.70%
<b>Information Technology:</b>					
Broadcom Inc.	10,000	2,774,175	3,990,957	2.70%	2.26%
<b>Total Equities</b>		<b>139,372,246</b>	<b>176,334,263</b>	<b>119.14%</b>	<b>100.00%</b>
<b>Total investments</b>		<b>139,372,246</b>	<b>176,334,263</b>	<b>119.14%</b>	<b>100.00%</b>
<b>Total investments (2021)</b>		<b>137,731,901</b>	<b>180,581,681</b>	<b>123.97%</b>	<b>100.00%</b>

# Statement of Financial Position of the Company (Unaudited)

As at 30 June 2022

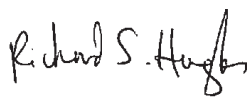
with unaudited comparatives as at 30 June 2021  
and audited comparatives as at 31 December 2021

	Notes	30.06.2022 GBP	30.06.2021 GBP	31.12.2021 GBP
<b>Current assets</b>				
Other receivables		2	2	2
<b>Net assets</b>		2	2	2
<b>Equity attributable to equity holders</b>				
Stated capital	2	2	2	2
<b>Total Shareholders' equity</b>		2	2	2

The unaudited interim financial statements and notes on pages 40 to 41 were approved by the directors on 13 September 2022 and signed on behalf of the Board by:



Michael Phair  
Director



Richard Hughes  
Director



# Notes to the Interim Condensed Financial Statements of the Company (Unaudited)

**For the period 1 January 2022 to 30 June 2022 with unaudited comparatives for the period 1 January 2021 to 30 June 2021 and audited comparatives for the year ended 31 December 2021**

## 1. Basis of accounting

The separate interim financial statements of the Company have been prepared showing results of the Company only. They have been prepared in accordance with UK-adopted IFRS and IFRS as adopted by the European Union in accordance with the accounting policies set out in Note 2 to the interim financial statements of the Fund.

The interim financial statements are prepared in accordance with UK-adopted IFRS as required by the UK Listing and Disclosure Guidance and Transparency Rules. Jersey company law identifies specific accounting standards which are allowed to be adopted by Jersey companies in the preparation of their annual financial statements. Following its introduction, Jersey company law has not been amended to introduce UK-adopted IFRS. The directors have therefore also prepared the financial statements in accordance with IFRS as adopted by the European Union. Therefore, they consider the financial statements to be compliant with Jersey company law. The directors do not consider there to be any material difference between UK adopted IFRS and IFRS adopted by the European Union.

A separate Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement have not been prepared as there have been no results or cash flows for the Company for this year or the preceding year.

There are no standards and interpretations in issue but not effective that the directors believe would or might have a material impact on the financial statements of the Company.

### Judgements and estimates used by the directors

The preparation of interim financial statements in compliance with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated liabilities are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent. For the purposes of these financial statements, there were no specific areas in which judgement was exercised and no estimation was required by the directors.

## 2. The Company's stated capital

The authorised share capital of the Company is split into two management shares of no par value.

	No. of shares	GBP
<b>Management shares issued</b>		
<b>At 30 June 2022, 31 December 2021 and 30 June 2021</b>	2	2

## 3. Taxation

The Company adopted UK tax residency on 11 October 2011. Since that date, the Company has been managed in such a way as to be able to meet the conditions for approval as an investment trust under Section 1158 of the Corporation Tax Act 2010. Accordingly, no UK tax has been provided for. On 7 December 2012, the Company received approval from HM Revenue & Customs to be treated as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010 and will seek to remain so approved.

## 4. Ultimate holding company

The ultimate holding company is Middlefield Limited.

# Definitions

AIC	The Association of Investment Companies
AIC Code	The AIC Code of Corporate Governance
BoC	The Bank of Canada
Auditor	RSM Channel Islands (Audit) Limited
Banker's Acceptance	The amount drawn under the Credit Facility Agreement
Benchmark	The S&P/TSX Composite High Dividend Index
CAD	Canadian Dollar
Cell or Fund	Middlefield Canadian Income – GBP PC
Company or MCT	Middlefield Canadian Income PCC
Credit Facility	The on-demand credit facility with RBC
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
Fund Shares	The redeemable participating preference shares of no par value in the Fund
GBP	Sterling
GDP	Gross domestic product
Half Yearly Report	The half yearly report and interim condensed financial statements (unaudited)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JFSC	Jersey Financial Services Commission
Listing Rules	The listing rules made by the FCA under Part VI of the Financial Services and Market Authority
NAV	Net Asset Value of the Company in GBP
Prime Loan	Loans to which the Prime Rate can be applied
Prime Rate	Annual interest rate set by Canada's major banks and financial institutions
RBC	The Royal Bank of Canada
REIT	Real Estate Investment Trust
SORP	Statement of recommended practice

**Investment Objective:** To provide Shareholders with a high level of dividends as well as capital growth over the longer term. The Fund intends to pay dividends on a quarterly basis each year.

**Investment Policy:** The Fund seeks to achieve its investment objective by investing predominantly in the securities of companies and REITs domiciled in Canada and listed on a Canadian Stock Exchange, and which the Investment Manager believes will provide an attractive level of distributions together with the prospect for capital growth. It is expected that the Fund's portfolio will generally comprise between 35 and 70 investments. The Fund may also hold cash or cash equivalents. The Fund may utilise derivative instruments, including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments, for the purposes of efficient portfolio management. The Fund will at all times invest and manage its assets in a manner which is consistent with the objective of spreading investment risk.

<sup>1</sup> **LR.15.2.5:** No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.









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