



2022 ANNUAL REPORT

SUSTAINABLE REAL ESTATE

DIVIDEND FUND

 MIDDLEFIELD
CLOSED-END FUNDS

MIDDLEFIELD CORPORATE PROFILE

The Middlefield Group was established in 1979 and is a Specialty Investment Manager which creates investment products designed to balance risk and return to meet the demanding requirements of Financial Advisors and their clients. These financial products include Exchange-Traded Funds, Mutual Funds, Private and Public Resource Funds, Split Share Corporations, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Funds and Partnerships.

Middlefield's investment team comprises portfolio managers, analysts and traders. While all of our investment products are designed and managed by Middlefield professionals, some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. In 2014, we entered into an exclusive arrangement with SSR, LLC, based in Stamford, Connecticut. They provide specialized research into sectors of the economy such as Healthcare and Innovation Technology. SSR is an independent investment firm whose analysts have been highly ranked and are recognized as leaders in their respective fields. Their fundamental company level research is often non-consensus and provides guidance on overall portfolio construction and security selection.

Looking ahead, Middlefield remains committed to managing and developing new and unique investment products to assist Financial Advisors in helping clients achieve their investment objectives.

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A NOTE ON FORWARD LOOKING STATEMENTS

This document may contain forward looking statements, including statements regarding: the Fund, its strategies, goals and objectives; prospects; future performance or condition; possible future actions to be taken by the Fund; and the performance of investments, securities, issuers or industries in which the Fund may from time to time invest. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future results, events, circumstances, expectations and performance, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and other similar wording. Forward looking statements are not historical facts, but reflect the Fund's current beliefs as of the date of this document regarding future results, events, circumstances, expectations or performance and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors. Forward looking statements are not guarantees of future performance, and actual results, events, circumstances, expectations or performance could differ materially from those expressed or implied in any forward looking statements contained in this document. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking statements include, but are not limited to: general economic, political, market and business factors and conditions; commodity price fluctuations; interest and foreign exchange rate fluctuations; global equity and capital markets; the financial condition of each issuer in which the Fund invests; the effects of competition in the industries or geographic areas in which the Fund may invest; statutory and regulatory developments; unexpected judicial or regulatory proceedings; and catastrophic events. Readers are cautioned that the foregoing list of factors is not exhaustive and to avoid placing undue reliance on forward looking statements due to the inherent uncertainty of such statements. The Fund does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.



2022 REVIEW AND OUTLOOK

2022 was a challenging year for equity investors. The S&P 500, MSCI World Index and TSX Composite generated total returns of -18.1%, -17.7% and -5.8%, respectively. Global central banks enacted aggressive interest rate hikes to combat the highest inflation in decades, sending both stocks and bonds lower in tandem. 2022 marked the first year where both the US 10-year Treasury note and the S&P 500 Index lost more than 10% on a total-return basis in a given calendar year.

Index returns were consistent with the ubiquitous trend of value outperforming growth in 2022. In the US, value topped growth by more than 20% (-9.6% vs. -29.8%) while the Canadian market, which has a higher concentration in cyclical and value stocks relative to the S&P 500, outperformed the US by more than 12%. Energy (+65.4%) and utilities (+1.6%) were the only two sectors in the S&P 500 that were able to generate positive returns, while communication services (-39.9%), consumer discretionary (-37%) and information technology (-28.2%) experienced outsized impacts from rising rates and growing concerns of recession. The biggest driver of underperformance for the latter group was multiple compression. Despite rampant inflation and ongoing supply chain issues, S&P 500 earnings were relatively resilient throughout the year. Conversely, average forward price to earnings multiples for the S&P 500 declined by more than 20% which dragged stock prices lower, especially for higher multiple stocks.

Russia's invasion of Ukraine, China's zero-COVID policy and hawkish Fed policy created macro headwinds which culminated in decades-high inflation. These events sent shockwaves throughout the global economy and cast a shadow of uncertainty over the market. Fortunately, many of the headwinds that plagued markets in 2022 are quickly becoming tailwinds for 2023. Inflation is trending lower in most countries as energy, freight and housing prices come down. China has made a notable pivot away from its zero-COVID stance; a development that should ease supply chain constraints and boost global demand. The US dollar Index, which appreciated nearly 9% in 2022, is expected to normalize in 2023 and result in less FX-related earnings headwinds. On balance, we believe the macro outlook is improving and investors will focus more on company-specific fundamentals this year.

In terms of market risks, we are closely following several unresolved issues that have the potential to stall a market recovery. Ongoing geopolitical tensions, persistent tightness of the labour market and elevated consumer debt warrant particular attention. We are cognizant of valuations against this backdrop and remain cautious on more expensive areas of the market.

Our equity income strategies emphasize companies that can maintain or expand margins in the current environment to support dividend growth. We are focused on companies with strong balance sheets that can withstand an economic slowdown as well as opportunistically pursue M&A. This includes sectors where cash flows are underpinned by long-term contracts such as real estate and infrastructure or those with inelastic demand such as healthcare and select areas of technology. In addition, we remain committed to incorporating sustainability principles and ESG data into our investment process, particularly in our suite of sustainable equity mandates.

Middlefield Healthcare Dividend ETF and Middlefield Health & Wellness ETF were defensively positioned throughout the year, which contributed to their outperformance. In 2022, the funds generated total returns of -0.7% and -3.9%, respectively, while its benchmark, MSCI World Health Care Index, generated a total return of -5% in local currency. Healthcare companies have defensive attributes as they sell needs-based products that benefit from inelastic demand. The sector tends to outperform during periods of economic uncertainty due to its steady demand and insulation from discretionary consumer spending. We expect healthcare companies to perform well again in 2023, particularly those that sell into rapidly growing addressable markets such as obesity, cardiology and diabetes.

In 2022, the real estate sector underperformed the broader market, generating total returns of -21.5% in Canada and -26.2% in the US while Middlefield Real Estate Dividend ETF generated a total return of -21.9%. The rapid and significant rise in interest rates, a widening of credit spreads and concerns about a recession took their toll on real estate sentiment and valuations in 2022. As a result, discounts to NAV are near historic highs which positions the sector attractively for 2023. Moreover, with inflation moderating alongside a softening economic growth outlook, the rise in long-term bond yields should be limited. Despite a slowing economy, we expect REIT earnings to remain largely intact this year due to the contractual nature of rental income and extensive mark-to-market rent opportunities.

Mint Income Fund provides an actively managed, high conviction portfolio of primarily equity-income securities in North America. Since its inception in 1997, it has outperformed the S&P 500 and S&P/TSX Composite on a total return basis. In 2022, the fund generated a total return of 8.5%, significantly outperforming the S&P 500 and S&P/TSX Composite total returns of -18.1% and -5.8%, respectively. We have a positive outlook on companies with an established track record of sustainable and consistent dividend growth this year and expect the fund to continue generating attractive total returns for investors.

MIDDLEFIELD TSX-LISTED FUNDS |

The Middlefield Family of exchange-listed funds is currently comprised of 17 funds, 16 of which trade on the Toronto Stock Exchange and one of which is based in Jersey, Channel Islands and trades on the London Stock Exchange. The fund mandates differ by asset mix including both Canadian and International equity securities.

We continue to see a wealth of long-term opportunities for Middlefield Innovation Dividend ETF in companies with established business models, attractive free cash flow profiles and reasonable valuations. The tech sector underperformed in 2022 with the S&P 500 information technology sector generating a total return of -28.2%. We view this correction as a pricing adjustment on valuations, driven by higher interest rates, but continue to believe multiple growth drivers remain intact. These include cloud migration, software for productivity and increasing semiconductor demand across end markets. Leading players within these verticals are high quality in nature and have many cost levers at their disposal to protect margins.

Middlefield Sustainable Infrastructure Dividend ETF, International Clean Power Dividend Fund and Global Real Asset Fund provide exposure to high-quality global infrastructure companies. Infrastructure assets generate stable and predictable cash flows due to their long-term contracts which underpin consistent income streams for investors. The long-term outlook for infrastructure improved in 2022. Build Back Better, the Inflation Reduction Act and RePowerEU represent three monumental pieces of infrastructure-related legislation that will drive trillions in infrastructure spending over the coming years. In addition, the Russia-Ukraine war elevates the issue of energy security and underscores the need for investments in energy infrastructure. Due to increasingly ambitious climate goals, many of these investments will likely take place in the fields of clean energy, energy efficiency and grid modernization.

E Split Corp. – Class A shares generated a total return of 17.5% in 2022. Geopolitical tensions brought energy security to the forefront of global priorities this year. North American energy offers a logical solution to displaced Russian supply and Enbridge provides unique exposure to this opportunity. Several liquified natural gas (LNG) terminals are currently under construction on the US Gulf coast which should more than double North America's export capacity over the next 5 years. This additional export capacity will require significant investments in gathering, processing and transportation infrastructure to bring molecules from the ground to coastal terminals. Enbridge is extremely well positioned to benefit from the growth capital that will be invested over the coming years.

Outlook

We hold a cautiously optimistic view for 2023 and expect positive market returns this year. In light of the growing possibility of a mild recession, we believe earnings estimates to start the year are too high and vulnerable to negative revisions. That said, markets are forward-looking and partially priced in slower economic and earnings growth during 2022. Markets also typically bottom six to nine months before earnings trough. We expect a market bottom to form in the first half of 2023 with better performance expected in the latter half as the market looks ahead to rebounding earnings during 2024. We anticipate opportunities to arise in areas we are currently underweight and intend to opportunistically add to our highest long-term conviction growth names on weakness. We prefer value over growth in the short-term with an emphasis on quality factors.

We believe equity income-based strategies are positioned to outperform in 2023 as the current central bank tightening cycle nears completion and the market grapples with recession risks. Dividend-paying stocks, and dividend-growers in particular, typically outperform non-dividend payers during periods of declining inflation and after the end of central bank tightening cycles. In 2022, dividends per share in the TSX Composite were up nearly 18% in nominal terms and 10% in real terms. Dividend growth is a core tenet of our investment strategy and we expect further dividend increases in 2023. Our core holdings in dividend-payers should provide greater stability during this period of market uncertainty while enhancing total returns from consistent income.



Dean Orrico
President and CEO
Middlefield Capital Corporation



Robert F. Lauzon
Managing Director and Chief Investment Officer
Middlefield Capital Corporation

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2022

This annual management report of fund performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the investment fund that follow this report.

Unitholders may contact us by calling 1-888-890-1868, by writing to us at Middlefield Group at one of the addresses on the back cover or by visiting our website at www.middlefield.com to request a copy of the investment fund's annual financial statements, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Management's Discussion of Fund Performance

Investment Objectives and Strategies

The investment objectives of Sustainable Real Estate Dividend Fund (the "Fund") are to provide holders of units with: (i) stable monthly cash distributions; and (ii) enhanced long-term total return through capital appreciation of the Fund's investment portfolio. The Fund utilizes an investment strategy comprised primarily of dividend paying securities of international issuers focused on, involved in, or that derive a significant portion of their revenue from business models that are creating and transforming the green property and related sectors by employing or developing sustainable property management practices or materials (collectively, "Sustainable Real Estate Issuers"). In addition, the Advisor (as defined below) will integrate environmental, social and governance ("ESG") considerations to complement fundamental analysis in selecting Sustainable Real Estate Issuers it believes have sustainable competitive advantages.

Risk

The Fund is exposed to several risks that may affect its performance. The overall risk of the Fund is as described in its prospectus dated February 25, 2022. Since commencement of operations on March 30, 2022, the risk factors have not changed.

Market Risk

Market risk describes the Fund's exposure to volatility in the market value of its underlying securities. Equity markets continue to exhibit volatility due to macroeconomic uncertainties, ongoing global trade disputes, as well as the uncertain impact from the ongoing conflict in Ukraine. The Fund seeks to mitigate risk through active management and portfolio diversification.

Results of Operations

Investment Performance

In respect of the investment portfolio, the asset mix by sector has remained materially consistent since commencement of operations. The Fund commenced operations on March 30, 2022 when it raised \$25 million in an initial public offering. As a result, there are no comparative figures for the period ended December 31, 2022. The total equity of the Fund was \$18.0 million as at December 31, 2022. On a per unit basis, the total

equity of the Fund was \$7.70 at December 31, 2022. The Fund recorded a net loss on its investment portfolio of approximately \$3.4 million or \$1.40 per unit during the period.

Revenue and Expenses

Loss before expenses for the period ended December 31, 2022 amounted to \$3.0 million. Operating expenses for the period ended December 31, 2022 amounted to \$0.5 million, which contributed to the management expense ratio ("MER") of 10.75%. The MER is high as a result of the inclusion of issuance costs as part of the expenses used to calculate the ratio in the period of in the initial public offering. Excluding issuance and borrowing costs, the MER was 2.79% for the period. As a result, loss after tax amounted to \$3.5 million or \$1.44 per unit. Distributions for the period ended December 31, 2022 amounted to \$0.33 per unit.

Related Party Transactions

Pursuant to a management agreement, Middlefield Limited (the "Manager") receives a management fee. For further details, please see the "Management Fees" section of this report. Middlefield Capital Corporation ("MCC" or the "Advisor"), the advisor to the Fund and a company under common control with the Manager, receives advisory fees from the Manager out of the management fee. MCC also receives brokerage commissions from the Fund in connection with securities transactions. All brokerage commissions paid by the Fund to MCC were at or below market rates. In addition, MCC received an agency fee from the Fund in respect of units sold in 2022. For further details, please see the notes to the financial statements.

Management Fees

Management fees are calculated at 1.25% per annum of the net asset value of the Fund and are split between the Manager and the Advisor. The Manager receives fees for the general administration of the Fund, including maintaining the accounting records, executing securities trades, monitoring compliance with regulatory requirements, and negotiating contractual agreements, among other things. The Advisor receives fees from the Manager for providing investment advice in respect of the portfolio in accordance with the investment objectives and strategies of the Fund.

Credit Facility

The Fund has a revolving demand credit facility that enables the Fund to borrow up to an amount not exceeding 25% of total assets. At December 31, 2022, the Fund had a loan payable in the amount of \$2.0 million representing approximately 9.9% of total assets and 11.1% of total equity. The minimum and maximum amounts borrowed during the period ended December 31, 2022 were \$nil and \$2.0 million, respectively. The loan proceeds were used primarily to purchase securities for the investment portfolio. The credit facility provides the lender with a security interest over the assets of the Fund.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2022

Trends

REIT earnings should remain largely intact this year due to the contractual nature of rental income and extensive mark-to-market rent opportunities.

ESG

In seeking to achieve its investment objectives, the Fund targets investments in issuers that have positive ESG characteristics, as identified by the Advisor through the implementation of Middlefield's ESG Policy and ESG screening process. As part of this process, the Fund incorporates ESG principles, including qualitative reviews, negative and positive screening, and other non-measurable factors.

Throughout the year, the Fund continued to meet its ESG objectives, as confirmed by the Advisor's i) on-going fundamental analysis of portfolio companies held by the Fund, including the issuers' public disclosures, and the expected versus actual outcome of corporate actions of the issuers; and ii) review of the issuers' ESG scores as reported by third-party data providers.

The Manager has contracted the services of Glass Lewis, a leading proxy advisory firm, to add an additional level of analysis, including consideration of environmental, social and governance practices. During the year, the Fund voted against Kingspan Group plc's management on the company's proposed Planet Passionate Report due to the belief that the report would not provide shareholders with adequate disclosures about the company's ESG risks.

During the period, the portfolio manager increased exposure to SEGRO plc, a Real Estate Investment Trust

(REIT) that is a leading owner, manager and developer of warehousing and light industrial properties across Europe. SEGRO is ranked as one of the most green-friendly real estate companies listed in the UK and has committed to becoming net zero by 2030.

Another portfolio holding is Holcim Ltd., a producer of construction materials. Holcim is known for its green building solutions that offer sustainable alternatives to traditional construction materials. The company also was the first in its industry to have net-zero targets for 2030 and 2050, validated by the Science Based Targets Initiative (SBTi).

During the period, the Fund met with representatives of portfolio companies to discuss ESG related initiatives, including meeting with senior management of Choice Properties Real Estate Investment Trust to discuss the company's commitment to environmental sustainability and net-zero emissions target.

Financial Highlights

Total Equity is calculated in accordance with International Financial Reporting Standards ("IFRS").

"Net Asset Value" is calculated in accordance with section 14.2 of National Instrument 81-106 "Investment Fund Continuous Disclosure" ("NI 81-106") and is used for transactional pricing purposes.

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the indicated period. Ratios and Supplemental Data are derived from the Fund's Net Asset Value.

The Fund's Total Equity per Unit⁽¹⁾

	2022 ⁽⁴⁾
Total Equity, Beginning of Period	\$ 9.40*
INCREASE (DECREASE) FROM OPERATIONS:	
Total Revenue	0.18
Total Expenses	(0.21)
Realized Loss for the Period	(0.01)
Unrealized Loss for the Period	(1.39)
Transaction Costs on Purchase and Sale of Investments	(0.01)
TOTAL DECREASE FROM OPERATIONS⁽²⁾	(1.37)
DISTRIBUTIONS:	
Return of Capital	0.33
TOTAL DISTRIBUTIONS⁽³⁾	0.33
Total Equity, End of Period	\$ 7.70

⁽¹⁾ This information is derived from the Fund's audited annual financial statements.

⁽²⁾ Total Equity and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of Total Equity since it does not reflect unitholder transactions as shown on the Statement of Changes in Equity and accordingly columns may not add.

⁽³⁾ Distributions were paid in cash/reinvested in additional units of the Fund, or both.

⁽⁴⁾ For the period March 30, 2022 (date of commencement of operations) to December 31, 2022.

*Initial issue price, net of agents' fees and initial issue costs.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2022

Ratios and Supplemental Data

	2022 ⁽⁵⁾
Total Assets (000s) ⁽¹⁾	\$ 20,219
Total Net Asset Value (000s) ⁽¹⁾	\$ 17,972
Number of Units Outstanding ⁽¹⁾	2,335,276
Management Expense Ratio ("MER") ⁽²⁾	10.75%
MER (excluding interest expense and issuance costs) ⁽²⁾	2.79%
Trading Expense Ratio ⁽³⁾	0.23%
Portfolio Turnover Rate ⁽⁴⁾	25.84%
Net Asset Value per Unit	\$ 7.70

⁽¹⁾ This information is provided as at December 31 of the period shown.

⁽²⁾ The MER is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. The MER excluding interest expense and issuance costs has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average Net Asset Value. Issuance costs are one-time costs incurred at inception, and the inclusion of interest expense does not consider the additional revenues that have been generated from the investment of the leverage in income-generating assets.

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

⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

⁽⁵⁾ For the period March 30, 2022 (date of commencement of operations) to December 31, 2022.

Past Performance

The Fund has not presented its historical performance because it commenced operations on March 30, 2022 and accordingly has been in existence for less than one year.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE PERIOD ENDED DECEMBER 31, 2022

Summary of Investment Portfolio

AS AT DECEMBER 31, 2022

Top Twenty-Five Holdings

DESCRIPTION	% OF NET ASSET VALUE
1 Granite Real Estate Investment Trust	5.4
2 Prologis Inc.	5.1
3 Dream Industrial Real Estate Investment Trust	4.4
4 Canadian Apartment Properties Real Estate Investment Trust	4.2
5 Simon Property Group Inc.	4.0
6 Equinix Inc.	3.9
7 Choice Properties Real Estate Investment Trust	3.3
8 First Capital Real Estate Investment Trust	3.3
9 American Tower Corp.	3.2
10 Alexandria Real Estate Equities Inc.	3.2
11 AvalonBay Communities Inc.	3.2
12 Crown Castle Inc.	3.1
13 Killam Apartment Real Estate Investment Trust	3.1
14 Digital Realty Trust Inc.	3.0
15 Holcim AG	2.7
16 RioCan Real Estate Investment Trust	2.7
17 Louisiana-Pacific Corp.	2.7
18 Weyerhaeuser Co.	2.6
19 Segro PLC	2.6
20 Siemens AG	2.4
21 Daikin Industries Ltd.	2.3
22 Allied Properties Real Estate Investment Trust	2.3
23 Owens Corning	2.3
24 Johnson Controls International plc	2.2
25 Sun Communities Inc.	2.2

"Top Twenty-Five Holdings" excludes any temporary cash investments.

ASSET CLASS	% OF NET ASSET VALUE
Real Estate	79.3
Materials	11.3
Industrials	10.8
Metals and Mining	1.8
Cash and Short-Term Investments	9.0
Other Net Liabilities	(12.2)
	100.0

TOTAL NET ASSET VALUE	\$ 17,971,889
TOTAL ASSETS	\$ 20,218,580

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions.
Please visit www.middlefield.com for the most recent quarter-end Summary of Investment Portfolio.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements Sustainable Real Estate Dividend Fund (the "Fund") have been prepared by Middlefield Limited (the "Manager"), the manager of Fund and approved by the Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and other financial information contained in this report. The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates

and judgments. The significant accounting policies applicable to the Fund are described in the notes to the financial statements. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

Deloitte LLP is the external auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements.



Jeremy Brasseur
Director



Craig Rogers
Director

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of
Sustainable Real Estate Dividend Fund (the "Fund")

Opinion

We have audited the financial statement of the Fund, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the period March 30, 2022 to December 31, 2022 then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022, and its financial performance and its cash flows for the period from March 30, 2022 to December 31, 2022 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

- Management Report of Fund Performance
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Darroch.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized, cursive script followed by "LLP" in a simpler, sans-serif font.

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 24, 2023

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

Statement of Financial Position

AS AT DECEMBER 31, 2022

(In Canadian Dollars)

ASSETS

Current Assets

Investments at Fair Value through Profit or Loss	\$	18,550,996
Cash		1,609,618
Income and Interest Receivable		53,037
Prepaid Interest		4,626
Accounts Receivable		303
Total Assets		20,218,580

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities		149,009
Distribution Payable		97,682
Loan Payable (Note 11)		2,000,000
Total Liabilities		2,246,691
Net Assets	\$	17,971,889

EQUITY

Unitholders' Capital (Note 7)	\$	23,352,607
Deficit		(5,380,718)
Total Equity	\$	17,971,889
Units Issued and Outstanding		2,335,276
Total Equity per Unit	\$	7.70

The accompanying notes to financial statements are an integral part of this financial statement.

Approved by the Board of Directors of Middlefield Limited, as Manager:



Director: Jeremy Brasseur



Director: Craig Rogers

FINANCIAL STATEMENTS

Statement of Comprehensive Income

FOR THE PERIOD MARCH 30, 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2022
(In Canadian Dollars)

REVENUE (LOSS)

Income from Investments	\$	434,940
Interest Income for Distribution Purposes		10,760
Foreign Exchange Loss on Cash		(18,049)

Other Changes in Fair Value of Financial Assets and Financial

Liabilities at Fair Value through Profit or Loss

Net Realized Loss from Investment Transactions excluding Derivatives		(164,979)
Net Realized Gain from Derivatives Transactions		149,552
Net Unrealized Loss on Investments excluding Derivatives		(3,372,953)
Net Unrealized Gain on Derivatives Transactions		-
Net Unrealized Loss on Foreign Currency Transactions		(44)
Total Loss		(2,960,773)

OPERATING EXPENSES (Note 8)

Audit Fees		21,326
Custodial Fees		1,975
Fund Administration Costs		106,299
Legal Fees		59,350
Management Fee (Note 8)		205,779
Transaction Costs (Note 9)		34,237
Unitholder Reporting Costs		34,797
Total Operating Expenses		463,763
Operating Loss		(3,424,536)
Finance Costs (Note 11)		38,273
Loss before Tax		(3,462,809)
Withholding Taxes		43,037
Loss after Tax	\$	(3,505,846)
Loss after Tax per Unit (Note 7)	\$	(1.44)

The accompanying notes to financial statements are an integral part of this financial statement.

FINANCIAL STATEMENTS

Statement of Changes in Equity

FOR THE PERIOD MARCH 30, 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2022

(In Canadian Dollars)	Unitholders' Capital	Deficit	Total
Balance at March 30, 2022	\$ -	\$ -	\$ -
Loss after Tax	-	(3,505,846)	(3,505,846)
Distributions to Unitholders	-	(804,118)	(804,118)
Repurchase of Trust Units	(1,898,000)	444,246	(1,453,754)
Proceeds from Issue of Trust Units	25,250,607	-	25,250,607
Payment of Agents' Fees	-	(1,136,250)	(1,136,250)
Payment of Issue Costs	-	(378,750)	(378,750)
Balance at December 31, 2022	\$ 23,352,607	\$ (5,380,718)	\$ 17,971,889

Statement of Cash Flows

FOR THE PERIOD MARCH 30, 2022 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2022

(In Canadian Dollars)

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES

Loss after Tax	\$ (3,505,846)
Adjustments:	
Purchases of Investments	(34,248,830)
Proceeds from Sale of Investments	12,309,454
Foreign Exchange Loss	18,093
Net Realized Loss from Investment Transactions	15,427
Net Unrealized Loss on Investments	3,372,953
	(22,038,749)
Net Change in Non-Cash Working Capital	134,214
Net Cash used in Operating Activities	(21,904,535)

CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES

Proceeds from Issue of Trust Units	25,250,607
Payment of Agents' Fees	(1,136,250)
Payment of Issue Costs	(378,750)
Repurchase of Trust Units	(1,453,754)
Proceeds from Loans	5,457,108
Repayment of Loans	(3,500,000)
Distributions Paid to Unitholders	(706,715)
Net Cash from Financing Activities	23,532,246
Net Increase in Cash	1,627,711
Foreign Exchange Loss	(18,093)
Cash at Beginning of Period	-
Cash at End of Period	\$ 1,609,618

The accompanying notes to financial statements are an integral part of these financial statements.

FINANCIAL STATEMENTS

Schedule of Investment Portfolio

AS AT DECEMBER 31, 2022

(In Canadian Dollars)

Description	No. of Securities	Average Cost	Fair Value
Alexandria Real Estate Equities Inc.	2,900	\$ 728,055	\$ 572,393
Allied Properties Real Estate Investment Trust	16,000	727,957	409,600
American Tower Corp.	2,000	657,294	574,123
AvalonBay Communities Inc.	2,600	815,280	569,018
Boardwalk Real Estate Investment Trust	6,000	269,302	296,580
Camden Property Trust	2,300	484,945	348,663
Canadian Apartment Properties Real Estate Investment Trust	18,000	940,379	768,240
Chartwell Retirement Residences	40,000	447,448	337,600
Choice Properties Real Estate Investment Trust	42,000	652,129	619,920
Crown Castle Inc.	3,000	715,394	551,360
Digital Realty Trust Inc.	4,000	718,907	543,447
Dream Industrial Real Estate Investment Trust	70,000	993,286	818,300
Equinix Inc.	800	752,329	710,031
Equity Residential	4,000	455,237	319,770
First Capital Real Estate Investment Trust	35,000	595,787	588,350
Granite Real Estate Investment Trust	14,000	1,158,277	967,119
Healthpeak Properties Inc.	10,000	438,462	339,688
Killam Apartment Real Estate Investment Trust	34,000	723,383	551,140
Prologis Inc.	6,000	1,063,559	916,467
RioCan Real Estate Investment Trust	23,000	584,092	485,990
Segro PLC	37,000	652,818	460,495
Simon Property Group Inc.	4,500	753,022	716,312
Sun Communities Inc.	2,000	446,061	387,518
Tricon Residential Inc.	25,000	497,497	261,000
Vonovia SE	10,000	566,932	318,429
Welltower Inc.	4,000	488,503	355,270
Weyerhaeuser Co.	11,000	543,126	462,041
REAL ESTATE: 70.7%		17,869,461	14,248,864
ArcelorMittal SA	10,000	372,742	355,270
CRH PLC	6,500	337,842	350,440
Holcim AG	7,000	432,197	490,840
Louisiana-Pacific Corp.	6,000	485,801	481,281
Vulcan Materials Co.	1,500	333,725	355,900
MATERIALS: 10.1%		1,962,307	2,033,731
Daikin Industries Ltd.	2,000	464,464	414,872
Johnson Controls International plc	4,500	358,613	390,228
Owens Corning	3,500	369,552	404,523
Siemens AG	2,300	340,308	431,183
TOTO Ltd.	6,500	318,630	300,372
INDUSTRIALS: 9.6%		1,851,567	1,941,178
Commercial Metals Co.	5,000	260,016	327,223
METALS AND MINING: 1.6%		260,016	327,223
TRANSACTION COSTS (Note 9)		(19,402)	-
TOTAL INVESTMENTS: 92.0%		21,923,949	18,550,996
CASH: 8.0%		1,609,618	1,609,618
Total Investment Portfolio, Including Cash		\$ 23,533,567	\$ 20,160,614

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Sustainable Real Estate Dividend Fund

Sustainable Real Estate Dividend Fund (the “Fund”) is a closed-ended investment trust established under the laws of the Province of Ontario on February 25, 2022. Middlefield Limited, a company incorporated in Alberta, is both the manager and trustee of the Fund (the “Manager”) and Middlefield Capital Corporation (“MCC”), a company under common control with the Manager, is the advisor to the Fund (the “Advisor”). The Fund was listed on the Toronto Stock Exchange and effectively commenced operations on March 30, 2022 when it first issued units through an initial public offering. The address of the Fund’s registered office is 100 King Street West, Suite 5855, Toronto, Ontario. These financial statements, expressed in Canadian Dollars, were authorized for issuance by the board of directors of the Manager on March 24, 2023.

2. Investment Objectives and Strategy

The investment objectives of Sustainable Real Estate Dividend Fund (the “Fund”) are to provide holders of units with: (i) stable monthly cash distributions; and (ii) enhanced long-term total return through capital appreciation of the Fund’s investment portfolio. The Fund utilizes an investment strategy comprised primarily of dividend paying securities of international issuers focused on, involved in, or that derive a significant portion of their revenue from business models that are creating and transforming the green property and related sectors by employing or developing sustainable property management practices or materials (collectively, “Sustainable Real Estate Issuers”). In addition, the Advisor will integrate environmental, social and governance (“ESG”) considerations to complement fundamental analysis in selecting Sustainable Real Estate Issuers it believes have sustainable competitive advantages.

3. Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

4. Summary of Significant Accounting Policies

A. Basis of Accounting

IFRS 9 Financial Instruments (“IFRS 9”)

The Fund classifies and measures financial instruments in accordance with IFRS 9 which requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s financial assets and the liabilities are classified at fair value through profit and loss (“FVTPL”) and amortized cost.

Classification, Measurement, Impairment and Hedge Accounting

The Fund classifies its investments in debt and equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) has not been taken. Consequently, these financial assets are mandatorily measured at FVTPL.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit taking. All derivatives and short positions are included in this category and mandatorily measured at FVTPL. The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 uses the expected credit loss model (“ECL”) as the new impairment model for financial assets carried at amortized cost. The Fund’s financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime of ECLs. Given the short-term nature and high credit quality of the trade receivables, there are no expected credit losses associated with them and they are not considered impaired at the reporting dates.

The Fund does not apply general hedge accounting to any of its derivatives positions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

4. Summary of Significant Accounting Policies (continued)

B. Financial Instruments

The Fund's financial instruments may include: short-term investments, fixed income, equities, structured products, derivatives (collectively referred to as "investments"), cash, accounts receivable – portfolio securities sold, income and interest receivable, accounts receivable, subscriptions receivable, prepaid interest, prepaid expenses, loan payable, accounts payable – portfolio securities purchased, accounts payable and accrued liabilities, redemptions payable and distributions payable. The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value ("NAV") for transactions with unitholders.

The Fund only offsets financial assets and financial liabilities if the Fund has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

C. Fair Value Measurement

The Fund's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Investments and futures contracts are valued at fair value using the policies described below.

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

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity specific inputs. Investments in other investment funds are valued based on the number of units held and their closing NAV per unit as provided by the investment funds' manager or general partner.

D. Unitholders' Capital

The Fund's units are classified as equity as the Fund has full discretion with respect to the extent and timing of the repurchase of the units and in the determination of whether distributions will be made in cash or units. Incremental costs directly attributable to the issue or redemption of units are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost. Where the Fund repurchases its own units, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Fund's equity holders until the units are cancelled, re-issued or disposed of. Where such units are subsequently sold or reissued, any consideration received is included in equity attributable to the Fund's equity holders.

E. Derivative Transactions

The Fund may use derivatives, such as forward currency contracts, to hedge against losses caused by changes in exchange rates. The value of forward currency contracts is the gain or loss that would be realized, if on the valuation date, the positions were to be closed out. The change in value of forward currency contracts is included in the Statement of Comprehensive Income. Realized gains and losses from derivative instruments that are specific economic hedges are accounted for in the same manner as the underlying investments being hedged and are included in the Statement of Comprehensive Income.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

4. Summary of Significant Accounting Policies (continued)

F. Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. The change in the difference between fair value and average cost of the investments is recorded as unrealized gain (loss) on investments. Income from investments is recognized on the ex-dividend or ex-distribution date. Interest income for distribution purposes shown on the Statement of Comprehensive Income represents the interest from bank deposits received by the Fund and, if the Fund holds fixed income investments, coupon interest accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax. Income distributions received are treated consistently with dividends and interest and recorded in income in the Statement of Comprehensive Income.

G. Profit or Loss after Tax per Unit

Profit or loss after tax per unit in the Statement of Comprehensive Income represents the profit or loss after tax divided by the average units outstanding during the period.

H. Taxation

The Fund qualifies as a mutual fund trust under the provisions of the *Income Tax Act* (Canada). Under the terms of the Declaration of Trust, any taxable income of the Fund is distributable monthly to unitholders of record date. The Fund is not subject to tax on the income distributed to unitholders. Accordingly, no provision for income taxes is required.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statement of Comprehensive Income.

Distributions received from investment trust units that are treated as a return of capital for tax purposes are used to reduce the average cost of the underlying investments on the Schedule of Investment Portfolio.

I. Foreign Currency Translation

Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments, forward currency contracts and other assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

J. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund's transactions are denominated in Canadian dollars. Investor subscriptions and redemptions are also received and paid in Canadian dollars. Accordingly, management has determined that the functional currency of the Fund is Canadian dollars.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

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

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

4. Summary of Significant Accounting Policies (continued)

J. Critical Accounting Estimates and Judgments (continued)

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market (continued)

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

K. Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and is included in the Statement of Comprehensive Income.

5. Fair Value Disclosure

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The fair value of the Fund's financial instruments is classified into levels using the following fair value hierarchy:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
Level 3	Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The Fund's investments at fair value as at December 31, 2022 trade in active markets and are therefore classified as Level 1.

All fair value measurements are recurring. The carrying values of cash, income and interest receivable, subscriptions receivable, accounts receivable, prepaid interest, accounts receivable – portfolio securities sold, loan payable, distributions payable, and accounts payable and accrued liabilities, approximate their fair values due to their short-term nature. Fair values of Fund's investments in common shares are classified as Level 1 when the related security is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

No transfers between levels have occurred during the period ended December 31, 2022.

6. Financial Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: price risk, interest rate risk, liquidity risk, foreign exchange rate risk, credit risk and concentration risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, unitholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, the market and company news related to specific securities held by the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions. The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. Financial Risk Management (continued)

A. Price Risk

Price risk is the risk that changes in the prices of the Fund's investments will affect the Fund's income or the value of its financial instruments. The Fund's price risk is driven primarily by volatility in commodity and equity prices. Rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. The Fund mitigates price risk by making investing decisions based upon various factors, including comprehensive fundamental analysis prepared by industry experts to forecast future commodity and equity price movements. The Fund's market positions are monitored on a daily basis by the portfolio manager and regular financial reviews of publicly available information related to the Fund's investments are performed to ensure that any risks are within established levels of risk tolerance. The Fund is exposed to price risk through the following financial instrument:

	2022
Investments at FVTPL	\$ 18,550,996

Based on the above exposure at December 31, 2022, a 10% increase or decrease in the prices of the Fund's investments would result in a \$1,855,100 increase or decrease in total equity of the Fund, with all other factors held constant.

B. Interest Rate Risk

Interest rate risk describes the Fund's exposure to changes in the general level of interest rates. Interest rate risk arises when the Fund invests in interest-bearing financial assets such as cash and utilizes financial liabilities such as loan payable. In respect of cash balances and loan payable, the Fund's interest income and expense are positively correlated to interest rates in that rising interest rates increase both interest income and expense while the reverse is true in a declining interest rate environment. The Fund has not hedged its exposure to interest rate movements. The Fund seeks to mitigate this risk through active management, which involves analysis of economic indicators to forecast Canadian and global interest rates. The Fund is exposed to interest rate risk through the following financial instruments:

	2022
Cash	\$ 1,609,618
Loan Payable	(2,000,000)
Net Exposure	\$ (390,382)

Based on the above exposure at December 31, 2022, a 1% per annum increase or decrease in interest rates would result in a \$3,904 decrease or increase in total equity of the Fund, with all other factors held constant.

C. Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations when due. The Fund is exposed to liquidity risk through its annual and monthly redemptions. The Fund receives 45 business days notice prior to the redemption date and has up to 15 business days after the redemption date to settle the redemption. This enables the Manager to sell securities held by the Fund to generate cash to settle the redemption, if necessary. The Fund's obligations are due within one year. The Fund has a revolving demand credit facility in the amount of \$8 million which is secured by a general security agreement. Borrowed amounts under the credit facility are usually due within 30 to 90 days. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily sold. The Fund retains sufficient cash to maintain liquidity and comply with liquidity requirements as outlined by securities legislation and its investment policies.

The Fund may invest in securities that are not traded on public stock exchange or that may be illiquid. As a result, the Fund may not be able to dispose of these investments in a timely manner. The Fund mitigates this risk through active management, which includes detailed analysis of such entities to ensure they are financially sound and would be attractive to potential investors if a sale is necessary. The Fund's investment policies and securities legislation limit the amount invested in illiquid securities and these limits are monitored. At December 31, 2022, the Fund did not hold any illiquid securities.

The table below presents the Fund's financial liabilities based on the remaining period to the contractual maturity date. The amounts in the tables reflect the contractual undiscounted cash flows.

As at December 31, 2022

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Distributions Payable	\$ 97,682	\$ -	\$ -	\$ 97,682
Accounts Payable and Accrued Liabilities	149,009	-	-	149,009
Loan Payable	2,000,000	-	-	2,000,000
Total	\$ 2,246,691	\$ -	\$ -	\$ 2,246,691

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. Financial Risk Management (continued)

C. Liquidity Risk (continued)

The Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments, specifically Loan Payable, typically retain them for a longer period.

D. Foreign Exchange Rate Risk

Foreign exchange rate risk describes the impact on the underlying value of financial instruments due to foreign exchange rate movements. The Canadian dollar is the Fund's functional and reporting currency. Foreign investments, commodities, cash, receivables and payables denominated in foreign currencies are affected by changes in the value of the Canadian dollar compared to foreign currencies. As a result, financial assets may depreciate/appreciate in the short-term due to the strengthening/weakening of the Canadian dollar against other currencies, and the reverse would be true for financial liabilities. The Fund's exposure to foreign exchange rate risk relates primarily to its investment in securities, which are denominated in various foreign currencies. The Fund has not hedged its exposure to currency fluctuations; however, it closely monitors relevant foreign exchange currency movements. The Fund is exposed to foreign exchange rate risk through the following financial instruments denominated in various foreign currencies:

As at December 31, 2022

Currency	Investments at FVTPL	Cash	Income and Interest Receivable	Total Exposure
U.S. Dollar	\$ 10,030,965	\$ 27,233	\$ 29,086	\$ 10,087,284
European Euro	749,611	-	-	749,611
Japanese Yen	715,244	-	-	715,244
Swiss Franc	490,840	-	-	490,840
U.K. Pound Sterling	460,495	-	-	460,495
Total	\$ 12,447,155	\$ 27,233	\$ 29,086	\$ 12,503,474

Based on the above exposure at December 31, 2022, a 10% increase or decrease in the Canadian dollar against the respective foreign currencies would result in a \$1,250,347 decrease or increase in total equity of the Fund, with all other factors held constant.

E. Credit Risk

Credit risk represents the financial loss that the Fund would experience if a counterparty to a financial asset failed to meet its obligations to the Fund. The Fund is exposed to credit risk on its debt instruments, derivative assets, cash and cash equivalents and other short-term trade receivables. The Fund measures credit risk and lifetime ECLs related to the trade receivables using historical analysis and forward-looking information in determining the ECL. The carrying amounts of financial assets represent the maximum credit exposure. All transactions executed by the Fund 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 only once the broker has received the securities. The trade will fail if either party fails to meet its obligations. There is no significant credit risk related to the Fund's receivables.

The Fund has established various internal controls to help mitigate credit risk, including prior approval of all investments by the Advisor whose mandate includes conducting financial and other assessments of these investments on a regular basis. The Fund has also implemented policies which ensure that investments can only be made with counterparties that have a minimum acceptable credit rating.

F. Concentration Risk

The Fund is exposed to the possible risk inherent in the concentration of the investment portfolio in a small number of industries or investment sectors. The Manager moderates this risk through careful selection of securities in several investment sectors. At December 31, 2022, the percentages of the Fund's total equity invested in each investment sector were as follows:

Sector	As a % of Total Equity
Real Estate	79.3
Materials	11.3
Industrials	10.8
Metals and Mining	1.8
Total	103.2

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

7. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units, each of which represents an equal, undivided interest in the total equity of the Fund. All units have equal rights and privileges.

In 2022, the Fund issued 2,525,000 units at \$10 per unit for proceeds, net of agents' fees and issue costs, of \$23.7 million. During the period ended December 31, 2022, the Fund purchased 140,200 units pursuant to a normal course issuer bid and 49,600 units in the market in accordance with the Declaration of Trust. For the period ended December 31, 2022, 355 units were distributed under the Plan of which 76 units were issued from treasury.

The average number of units outstanding during the period ended December 31, 2022, was 2,430,539. This number was used to calculate the Loss after Tax per Unit.

8. Management Fee and Operating Expenses

The Manager provides investment and administrative services to the Fund. In consideration for such services, the Manager receives a management fee equal to 1.25% per annum of the NAV, calculated and paid monthly in arrears based on the average NAV of the preceding month. For the period ended December 31, 2022, management fees before the absorption of expenses amounted to \$0.2 million.

The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business, including, among other things, audit and legal fees and expenses, custodian and transfer agency fees, and costs relating to securityholder reporting. Certain services in the normal course of business may be provided by the Manager or an affiliate of the Manager in accordance with National Instrument 81-107 – *Independent Review Committee for Investment Funds*. Examples of these services include the preparation and filing of tax returns, the preparation and filing of financial statements and related reports, acting as transfer agent and registrar for the funds, and maintaining and updating the Fund's website. In aggregate, these fees amounted to less than 0.55% of the fund's average NAV throughout the year. In addition, the Fund would be responsible for reimbursing the Manager for any reasonable out of pocket expenses incurred on the Fund's behalf.

9. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions during the period ended December 31, 2022, amounted to \$34,237. Included in this amount is \$7,654 in brokerage commissions that were paid to MCC. All commissions paid by the Fund to MCC were at or below market rates. Brokerage commissions and other transaction costs are expensed and recorded in the Statement of Comprehensive Income. Agency fees paid to MCC amounted to \$67 in 2022.

10. Securities Lending

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust, in order to earn additional revenue. The aggregate market value of all securities loaned by the Fund will not exceed 50% of the fair value of the assets of the Fund. The Fund will receive collateral of at least 105% of the fair value of the securities on loan. Collateral held is generally comprised of cash and securities of, or guaranteed by, the Government of Canada or a province thereof, or the United States government or its agencies. Securities lending income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive.

For the period ended December 31, 2022, the Fund did not earn any securities lending income.

As at December 31, 2022, the Fund had no outstanding securities loaned and hence no collateral held.

11. Loan Payable

In 2022, the Fund entered into a revolving demand credit facility in the maximum principal amount of \$8 million which is secured by a general security agreement. As at December 31, 2022, loans outstanding included bankers' acceptances with a face value of \$2.0 million. The minimum and maximum loans outstanding during 2022 were \$nil and \$2.0 million, respectively. Finance costs primarily relate to loan interest expenses.

12. Capital Management

The Fund's capital is its total equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength. The Fund 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

12. Capital Management (continued)

The Fund is not subject to externally imposed capital requirements. However, the Fund is subject to bank covenants in respect of leverage and is in compliance with those covenants in 2022.

13. Loss Carryforwards

At December 31, 2022, the Fund had capital losses of \$161,948 and non-capital losses of \$154,824 available for carry forward for tax purposes. The capital losses can be carried forward indefinitely. The expiry date of the non-capital losses is as follows:

Expiry Date	Amount
December 31, 2042	\$ 154,824

14. Distributions

The Fund pays monthly distributions to unitholders in accordance with its investment objectives. Distributions of the Fund, at the discretion of the unitholder, are reinvested in additional units of the Fund under the Distribution Reinvestment Plan, without sales charge. For the period ended December 31, 2022, distributions amounted to \$0.33 per unit.

15. Comparative Financial Statements

The Fund commenced operations on March 30, 2022. Accordingly, there are no comparative financial statements for the period ended December 31, 2022.

16. The outbreak of the novel coronavirus (COVID-19) has led to governments around the world enacting emergency measures that resulted in business disruptions, volatility in markets and a global economic slowdown. The Manager uses judgment in assessing the impact from such events on assumptions and estimates applied in reporting the assets and liabilities in the Fund's financial statements at December 31, 2022. The duration and full extent of impact of the COVID-19 pandemic are unknown at the reporting date and it is therefore not possible to reliably estimate the entire impact on the financial results and position of the Fund in future periods.

DISTRIBUTIONS (PER UNIT)

2022

31-May	\$ 0.04167	31-Jul	30-Sep	\$ 0.04167	30-Nov	\$ 0.04167
30-Jun	0.04167	31-Aug	31-Oct	0.04167	31-Dec	0.04167

Distribution Reinvestment Plan:

For information regarding the Distribution Reinvestment Plan, please contact our Investor Relations department, our Transfer Agent or visit our website at www.middlefield.com.

You may voluntarily terminate your participation in the Plan and elect to receive cash instead of Plan units, by delivering to the Plan Agent (or, if you are beneficial owners of units, by having your broker or other nominee deliver to the Plan Agent (through CDS & Co., if applicable) on your behalf) a written notice of termination signed by you or your broker or other nominee, as applicable.

2022 TAX INFORMATION (PER UNIT)

Middlefield Sustainable Real Estate Dividend Fund will be issuing T3 Supplementary slips to registered unitholders by March 31, 2023. The following table outlines the allocation of the 2022 distribution for each Unit.

RECORD DATE	PAYABLE DATE	DISTRIBUTION PER UNIT	ALLOCATION RETURN OF CAPITAL
May 31, 2022	June 15, 2022	\$ 0.041670	\$ 0.041670
June 30, 2022	July 15, 2022	0.041670	0.041670
July 31, 2022	August 15, 2022	0.041670	0.041670
August 31, 2022	September 15, 2022	0.041670	0.041670
September 30, 2022	October 14, 2022	0.041670	0.041670
October 31, 2022	November 15, 2022	0.041670	0.041670
November 30, 2022	December 15, 2022	0.041670	0.041670
December 31, 2022	January 13, 2023	0.041670	0.041670
TOTAL		\$ 0.333600	\$ 0.333600
		100.00%	100.00%

Holders of Units outside of an RRSP, RRIF or DPSP should have received a T3 tax slip from their investment dealer. T3 tax slips report Capital Gains in Box 21, Other Income in Box 26, Return of Capital in Box 42 and Eligible Dividends in Box 49. Eligible Dividends are subject to the gross-up and federal dividend tax credit rules. The Return of Capital component of the distribution is a non-taxable amount that should be deducted from the adjusted cost base of the Units.

MIDDLEFIELD FUNDS FAMILY |

EXCHANGE - TRADED FUNDS (ETFs)		TSX Stock Symbol
• Middlefield Healthcare Dividend ETF		MHCD
• Middlefield Health & Wellness ETF		HWF
• Middlefield Innovation Dividend ETF		MINN
• Middlefield Sustainable Global Dividend ETF		MDIV
• Middlefield Sustainable Infrastructure Dividend ETF		MINF
• Middlefield Real Estate Dividend ETF		MREL
• Middlefield U.S. Equity Dividend ETF		MUSA
TSX-LISTED FUNDS		
• E Split Corp.	ENS ENS.PR.A	
• International Clean Power Dividend Fund	CLP.UN	
• Middlefield Global Real Asset Fund	RA.UN	
• MINT Income Fund	MID.UN	
• Real Estate Split Corp.	RS RS.PR.A	
• Sustainable Agriculture & Wellness Dividend Fund	AGR.UN	
• Sustainable Innovation & Health Dividend Fund	SIH.UN	
• Sustainable Real Estate Dividend Fund	MSRE.UN	
• Workplace Technology Dividend Fund	WORK.UN	
MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS		Fund Code
Series A Units		FE/LL/DSC
• Middlefield Healthcare Dividend Fund (formerly Global Healthcare Dividend Fund)	MID 325/327/330	
• INDEXPLUS Income Fund	MID 435/437/440	
• Middlefield Global Infrastructure Fund	MID 510/519/520	
Series F Units		
• Middlefield Healthcare Dividend Fund (formerly Global Healthcare Dividend Fund)	MID 326	
• INDEXPLUS Income Fund	MID 436	
• Middlefield Global Infrastructure Fund	MID 501	
MIDDLEFIELD MUTUAL FUNDS CORPORATE CLASS FUNDS		Fund Code
Series A Shares		FE/LL/DSC
• Middlefield Canadian Dividend Growers Class	MID 148/449/450	
• Middlefield Global Agriculture Class	MID 161/163/166	
• Middlefield Global Energy Transition Class (commenced May 31, 2022)	MID 265	
• Middlefield Innovation Dividend Class (commenced May 31, 2022)	MID 925	
• Middlefield Global Dividend Growers Class	MID 181/183/186	
• Middlefield Real Estate Dividend Class (formerly Global Real Estate Class)	MID 600/649/650	
• Middlefield High Interest Income Class	MID 400/424/425	
• Middlefield Income Plus Class	MID 800/849/850	
• Middlefield U.S. Equity Dividend Class (formerly Middlefield U.S. Dividend Growers Class)	MID 710/719/720	
Series F Shares		
• Middlefield Canadian Dividend Growers Class	MID 149	
• Middlefield Global Agriculture Class	MID 162	
• Middlefield Global Dividend Growers Class	MID 182	
• Middlefield Real Estate Dividend Class (formerly Global Real Estate Class)	MID 601	
• Middlefield Global Energy Transition Class (commenced May 31, 2022)	MID 266	
• Middlefield Innovation Dividend Class (commenced May 31, 2022)	MID 926	
• Middlefield Income Plus Class	MID 801	
• Middlefield U.S. Equity Dividend Class (formerly Middlefield U.S. Dividend Growers Class)	MID 701	
RESOURCE FUNDS		
• Discovery 2022 Short Duration LP (commenced October 13, 2022)		
• MRF 2022 Resource Limited Partnership (commenced February 17, 2023)		
INTERNATIONAL FUNDS		
• Middlefield Canadian Income PCC	London UK Stock Exchange (LSE) Symbol:MCT	

Dean Orrico

President and Chief Executive Officer

Jeremy T. Brasseur

Executive Chairman

Robert F. Lauzon, CFA

Chief Investment Officer

**Independent Review
Committee****George S. Dembroski**Former Vice-Chairman
RBC Dominion Securities Limited**H. Roger Garland, CPA, CA**Former Vice-Chairman
Four Seasons Hotels Inc.**Christine Helsdon Tekker,
MBA, LLM, ICD.D**Senior Vice President, Lending
Infrastructure Ontario**Edward V. Jackson
(Chairman)**Former Managing Director
RBC Capital Markets**Advisors**Middlefield Capital Corporation
SSR, LLC**Middlefield Group****Stephen Erlichman**Chair, ESG
(Environmental, Social, Governance)**Craig Rogers, CPA, CGA, CFA**

Chief Operating Officer

Wendy Teo, CPA, CA, CPA (IL)

Chief Financial Officer & Vice President

Mark AboudManaging Director,
Workplace Innovation and Productivity**Dennis da Silva**

Senior Portfolio Manager

Vincenzo Greco

Senior Trader & Portfolio Manager

Nancy Tham

Managing Director, Sales

Shane Obata

Portfolio Manager

Robert Moffat

Portfolio Manager

Anthony Tavella, MBA, MFin

Executive Director, International and Marketing

Chris Lutes

Director, Sales

Stacy J. Crestohl

Director, Operations

Rose Espinoza

Director, International

Catherine Rebuldela, CPA, CGA

Director, Operations

Victor Xu, CFA

Director, Corporate Development

Mallika Verma

Investment Analyst, Investments

Samantha Drautz

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Rachel Zhang

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Assistant Vice-President

Maggie Vanadero – Chu

Associate

Justin Ip

Business Development & Associate

Scott Hu

Associate, Information Technology

Juanita Lam

Brand Designer

Joshua Wiggins

Brand Strategist

Stephen ChamberlainVice-President,
Middlefield Realty Services Limited**Auditor**Deloitte LLP, Chartered Professional Accountants
RSM Canada LLP**Legal Counsel**Bennett Jones
DLA Piper (Canada) LLP
Fasken Martineau DuMoulin LLP
McCarthy Tétrault**Bankers**Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
The Toronto-Dominion Bank**Custodian**

RBC Investor Treasury Services

Transfer AgentsRBC Investor Service Trust
Middlefield Capital Corporation**Affiliates**Middlefield Group Limited
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MF Properties Limited
Middlefield International Limited
Middlefield Limited
Middlefield Realty Services Limited
Middlefield Resource Corporation



MIDDLEFIELD

INVESTMENTS THAT WORK FOR YOU

TORONTO, CANADA

First Canadian Place 58th Floor,
P.O. Box 192 Toronto, Ontario
Canada M5X 1A6
Telephone (416) 362-0714
Fax (416) 362-7925

SAN FRANCISCO, USA

Middlefield Financial Services Inc
50 California Street, Suite 1500
San Francisco, California USA
94111
Telephone (415) 835-1308
Fax (415) 835-1350

LONDON, ENGLAND

Middlefield International Limited
288 Bishopsgate London,
England EC2M 4QP
Telephone (0207) 814-6644
Fax (0207) 814-6611

www.middlefield.com
invest@middlefield.com
(888) 890-1868