

2023 SEMI-ANNUAL REPORT

**MIDDLEFIELD
REAL ESTATE
DIVIDEND
CLASS**

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.



2023 Mid-Year Review and Outlook

Equity market returns were widely dispersed during the first half of 2023 (H1). The sharp recovery in technology stocks has been the biggest driver of relative performance, leading to the best first half of a year for the Nasdaq 100 in history (with data going back to 1985). The hype around artificial intelligence (AI) has fueled this rally and resulted in narrow market leadership. The “magnificent seven” – Apple, Microsoft, Google, Amazon, Meta, Tesla and Nvidia – did most of the heavy lifting, returning ~58% in H1. While market leadership has been narrow, we believe it is well deserved by some of the best companies in the world that will benefit from the AI cycle. Conversely, many core sectors of the market, including energy, utilities, financials and real estate, lagged in H1.

The underlying fundamentals for equities have improved in recent months. The most notable change to the economic landscape has been a significant drop in inflation. In Canada, the year-over-year rate of inflation was 2.8% in June 2023, well below 6.3% at the end of 2022 and its peak of 8.1% a year prior. Falling inflation has contributed to lowered expectations of a recession and boosted consumer confidence. In the US, the University of Michigan’s monthly Consumer Sentiment Index hit 72.6 in July 2023, the highest reading since September 2021 and the biggest one-month gain since 2006. The labour market has also proven to be extremely resilient, with the unemployment rate near all-time lows in both countries. Real hourly earnings are increasing for the first time in two years which further supports consumer demand. Although most economists have been forecasting a recession since 2022, the broad strength of the consumer and the tightness of the labour market may be enough to support a soft landing – an outcome that we believe is becoming increasingly likely.

Despite inflation trending lower in H1, it remains above most central banks’ long-term targets and monetary policy remains in restrictive territory. Services inflation, which is influenced by the rate of unemployment and wages, represents a bigger risk to overall inflation statistics and increases the likelihood of rates staying higher-for-longer. While economic data steadily improved throughout H1, real yields have risen which should temper further multiple expansion on the broad market and growth stocks in particular.

We are bullish on several areas of the Canadian stock market as Canadian equities are attractively valued on a relative basis. As at June 30 2023, the TSX Composite traded at a blended forward price to earnings multiple of 13.2x – more than a six turn discount to the S&P 500 multiple of 19.4x. In addition to attractive valuations, the total payout yield (dividends plus share buybacks) for the TSX is more attractive than the S&P 500, meaning investors are receiving more free cash flow from their investments in Canada. Companies in the TSX paid out a record \$170 billion in total shareholder returns over the past twelve months, representing a payout yield of 5.5 per cent. \$100 billion of this figure comes from dividend payments, supported by strong earnings and free cash flow growth.

We believe outperformance can be achieved in H2 through exposure to cyclical value sectors such as financials, resources, industrials and real estate. We expect these groups to outperform secular growth industries as the market prices in a soft landing in the economy and market breadth expands. We believe the economy has been going through a rolling recession over the past 18 months, i.e., various sectors are already in a recession while the economy continues to expand as a whole. Looking forward over the next twelve months, our view is that a rolling expansion is likely to take place in sectors that have already experienced earnings declines and share price depreciation.

Real estate had an excellent start to 2023 but was negatively impacted by macro headwinds that surfaced late in Q1. The collapse of several regional banks in the US sparked fears of a credit crunch in commercial real estate, particularly for office assets. We believe the operating environment for office REITs has become more challenging due to ongoing credit issues and uncertain work from home trends. That said, fundamentals across the rest of the sector remain very healthy. REITs continue to act as an effective hedge against inflation as companies can raise rents on expiring leases, particularly in undersupplied asset classes such as industrial, multi-family and retail. REITs have historically outperformed the TSX twelve to twenty-four months after the first Bank of Canada rate hike, which occurred in March 2022. The TSX Capped REIT Index generated a total return of 0.7% in H1, trailing the TSX Composite return of 5.8%. We are optimistic that sentiment is starting to bottom, and the sector is positioned for a catch-up trade in H2. *Real Estate Dividend Class (F Series)* generated a total return of 2.3% in H1, outperforming the benchmark.

After a year of strong performance in 2022, defensive sectors underperformed in H1 as the market began pricing in a soft landing. Healthcare finished as the third worst performing sector in the S&P 500 and had its worst first half in three decades relative to the broader market. Healthcare equipment companies were a bright spot within the sector, generating a total return of 13.1%. After three years of macro headwinds, including COVID-19 disruptions, supply chain bottlenecks and labour shortages, the operating environment for MedTech companies has improved. Healthcare facilities are now experiencing elevated utilization as patients return to hospitals and outpatient clinics to receive elective

procedures that were deferred during the pandemic. We believe these conditions should persist for the remainder of 2023 and into 2024 as the system works through backlogs, especially for orthopedic and cardio procedures. Low unemployment represents an additional tailwind for MedTech companies as more patients are covered by health insurance. *Middlefield Global Healthcare Dividend Fund* finished H1 with a ~10% overweight weighting to MedTech companies relative to the benchmark.

We believe that infrastructure will be a highly sought-after asset class under a variety of economic backdrops. Revenues from infrastructure assets are typically guaranteed by long-term contracts that provide high cash flow visibility, even under challenging economic conditions. Infrastructure assets are benefiting from a broad range of secular tailwinds, including decarbonization targets, government support packages and shifting demographics. *Middlefield Global Infrastructure Fund* invests across multiple different sectors and industries. Regulated utilities, energy infrastructure, renewable power producers and data infrastructure companies represent core exposures within these funds. Notwithstanding higher interest rates, which makes project financing more expensive, we maintain an optimistic long-term view of companies that own, operate or supply infrastructure projects around the world.

Information technology was the top performing sector in the S&P 500 in H1, generating a total return of 42.8%. In our view, tech's impressive outperformance was justifiable given the two main headwinds that impacted the sector in 2022 – inflation and higher rates – have been easing. Looking forward, we remain optimistic on the tech sector and innovative companies broadly given fundamental growth underpinnings. The outlook for generative AI is promising and should support continued investment in semiconductors and cloud computing. After five consecutive quarters of weak EPS growth, tech earnings are poised to outpace the broader market in H2 and into 2024. *Middlefield Innovation Dividend Class (F Series)* generated a total return of 25.7%, outperforming its benchmark, the NASDAQ Technology Dividend Index, which returned 24.3%.

Fertilizer stocks underperformed in H1 as farmers deferred purchasing higher priced inventories. The price of natural gas, the main input for most nitrogen fertilizer, declined in H1 which allowed for a rebound in nitrogen supply from producers. The resulting decline in prices brings relief to farmers, who have faced rising costs since the outbreak of the Russia/Ukraine war. We believe fertilizer prices are now starting to bottom which should provide an attractive entry point for the sector with both demand and prices improving in H2.

Dividend stocks underperformed the broader market in H1 which was primarily a function of market rotation into growth from value. Despite the short-term underperformance, we remain confident in the long-term potential for dividend growth stocks, which have outperformed the market over the long run. Within the investment universe of dividend stocks, we continue to see plenty of attractive opportunities across key sectors including technology, healthcare, financials and real estate. *Middlefield Global Dividend Growers Class* generated a total return of 9.8% in H1, outperforming its benchmark, MSCI World Dividend Growers Quality Select Index, which returned 7.5%. The Fund invests in an actively managed portfolio primarily comprised of global equity income securities with an emphasis on companies that have grown their dividends over time.

Outlook

Our market outlook is sanguine for the second half of 2023. Recession risks are receding and investor sentiment has started to improve. A huge amount of capital that made its way into money market funds during Q4'22/Q1'23 is now starting to flow back into equities. We have noted a growing list of individual stocks that are starting to break out of recent trends, which supports our view that market breadth is poised to improve. Tech stocks have led the market so far this year, but valuations are beginning to look stretched, requiring a more selective approach to security selection going forward. We believe a rotation out of expensive growth stocks into more reasonably priced value names is likely over the coming months, which bodes well for many of our attractively priced dividend-paying core holdings. In sectoral terms, we are bullish on REITs, Financials, Energy and select areas of Healthcare.

Our focus remains on high-quality, dividend paying companies. We believe central banks are likely to maintain hawkish monetary policy for longer than the market is hoping for, which puts a ceiling on how much multiple expansion can take place going forward. As a result, dividend income should represent a larger portion of total returns in H2 and will be highly coveted by investors. We remain cognizant of the lag effects that higher interest rates have on the consumer and are closely watching economic indicators to gauge the overall health of the economy. We do not expect a recession to manifest in H2 and we currently favour cyclical exposure. If recession risks start to rise later in the year, we would tactically shift our funds' asset allocation towards defensive sectors such as healthcare, utilities and consumer staples.



Dean Orrico
President and CEO
Middlefield Capital Corporation



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

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2023

This interim management report of fund performance contains financial highlights but does not contain the annual financial statements of the investment fund. This report should be read in conjunction with the complete interim financial report of the investment fund that follows this report. The interim financial report has not been reviewed by the investment fund's external auditors.

Securityholders 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 Objective and Strategies

Middlefield Real Estate Dividend Class (the "Fund") is a mutual fund class of Middlefield Mutual Funds Limited. The Fund is authorized to issue series of shares designated as Series A and F. The Fund's objective is to provide a stable level of income and maximize long-term total return by investing primarily in equities as well as equity-related and fixed income securities of issuers operating in the real estate sector.

Results of Operations

Investment Performance

The net assets of the Fund increased from \$42.9 million at December 31, 2022 to \$47.7 million at June 30, 2023. Net assets on a per share basis for Series A decreased from \$12.93 at December 31, 2022 to \$12.81 at June 30, 2023. Net assets on a per share basis for Series F at June 30, 2023 remained unchanged from December 31, 2022 at \$15.16. The Fund recorded a \$0.2 million net gain on its investment portfolio during the six months ended June 30, 2023.

Revenue and Expenses

Revenue for the six months ended June 30, 2023, amounted to \$1.0 million, up from a loss of \$11.0 million in 2022. The increase was primarily due to the net gain on the Fund's investments. Operating expenses for the period ended June 30, 2023 increased slightly to \$0.4 million, from \$0.3 million in the prior year period. The management expense ratio ("MER") in 2023 was 2.22% for Series A and 1.11% for Series F. Distributions for the period ended June 30, 2023 amounted to \$0.36 per share for both Series A and Series F.

Trends

Real estate had an excellent start to 2023 but was negatively impacted by macro headwinds that surfaced late in Q1. The collapse of several regional banks in the US sparked fears of a credit crunch in commercial real estate, particularly for office assets.

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. For further details please see the notes to the financial statements.

Management Fees

Management fees are calculated at 1.75% per annum for the Series A shares and 0.75% per annum for the Series F shares, of the net asset value of each Series and are split between the Manager, the Advisor and investment dealers who receive trailing commissions. 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 objective and strategies of the Fund. During the period ended June 30, 2023, approximately 26.8% of total management fees were used to pay for trailing commissions.

Financial Highlights

Net Assets Attributable to Holders of Redeemable Shares are 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 periods. Ratios and Supplemental Data are derived from the Fund's Net Asset Value.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Fund's Net Assets Per Share ⁽¹⁾
– Series A

	June 30 2023 ⁽⁴⁾	December 31 2022	December 31 2021	December 31 2020	December 31 2019	December 31 2018
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period	\$ 12.93	\$ 17.70	\$ 13.80	\$ 15.36	\$ 13.42	\$ 13.57
INCREASE (DECREASE) FROM OPERATIONS:						
Total Revenue	0.21	0.37	0.31	0.35	0.36	0.39
Total Expenses (excluding distributions)	(0.14)	(0.33)	(0.36)	(0.32)	(0.33)	(0.33)
Realized Gains (Losses) for the Period	0.17	(0.37)	0.94	(0.55)	1.27	0.27
Unrealized Gains (Losses) for the Period	(0.05)	(3.68)	3.76	(0.46)	1.34	0.07
Transaction Costs on Purchase and Sale of Investments	(0.01)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)
TOTAL INCREASE (DECREASE) FROM OPERATIONS⁽²⁾	0.24	(4.05)	4.62	(0.84)	2.63	0.45
DISTRIBUTIONS:						
From Net Investment Income	0.07	0.03	-	0.03	0.03	0.06
From Capital Gains	0.17	-	0.72	-	0.66	0.27
Return of Capital	0.12	0.69	-	0.69	-	0.27
TOTAL DISTRIBUTIONS⁽³⁾	0.36	0.72	0.72	0.72	0.69	0.60
Net Assets Attributable to Holders of Redeemable Shares, End of Period	\$ 12.81	\$ 12.93	\$ 17.70	\$ 13.80	\$ 15.36	\$ 13.42

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Fund's Net Assets Per Share ⁽¹⁾ –
Series F

	June 30 2023 ⁽⁴⁾	December 31 2022	December 31 2021	December 31 2020	December 31 2019	December 31 2018
Net Assets Attributable to Holders of Redeemable Shares, Beginning of Period	\$ 15.16	\$ 20.37	\$ 15.62	\$ 17.10	\$ 14.71	\$ 14.66
INCREASE (DECREASE) FROM OPERATIONS:						
Total Revenue	0.25	0.41	0.35	0.40	0.41	0.42
Total Expenses (excluding distributions)	(0.09)	(0.19)	(0.21)	(0.19)	(0.19)	(0.19)
Realized Gains (Losses) for the Period	0.17	(0.53)	1.11	(0.60)	1.42	0.30
Unrealized Gains (Losses) for the Period	(0.14)	(4.06)	4.29	(0.45)	1.08	0.11
Transaction Costs on Purchase and Sale of Investments	-	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)
TOTAL INCREASE (DECREASE) FROM OPERATIONS⁽²⁾	0.36	(4.49)	5.47	(0.76)	3.08	0.65
DISTRIBUTIONS:						
From Net Investment Income	0.16	0.22	0.14	0.21	0.21	0.23
From Capital Gains	0.17	-	0.58	-	0.48	0.30
Return of Capital	0.03	0.50	-	0.51	-	0.07
TOTAL DISTRIBUTIONS⁽³⁾	0.36	0.72	0.72	0.72	0.69	0.60
Net Assets Attributable to Holders of Redeemable Shares, End of Period	\$ 15.16	\$ 15.16	\$ 20.37	\$ 15.62	\$ 17.10	\$ 14.71

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

⁽²⁾ Net Assets Attributable to Holders of Redeemable Shares and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period. This schedule is not a reconciliation of Net Asset Value since it does not reflect shareholder transactions as shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares and accordingly columns may not add.

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

⁽⁴⁾ For the six month period ended June 30, 2023.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2023

Ratios and Supplemental Data – Series A

	June 30 2023⁽⁴⁾	December 31 2022	December 31 2021	December 31 2020	December 31 2019	December 31 2018
Total Net Asset Value (000s)	\$ 12,923	\$ 12,942	\$ 17,474	\$ 12,832	\$ 14,637	\$ 11,793
Number of Shares Outstanding	1,008,890	1,000,796	987,500	929,641	952,864	878,643
Management Expense Ratio ("MER") ⁽¹⁾	2.22%	2.26%	2.29%	2.29%	2.25%	2.35%
Trading Expense Ratio ⁽²⁾	0.08%	0.07%	0.07%	0.15%	0.18%	0.11%
Portfolio Turnover Rate ⁽³⁾	15.98%	23.59%	28.87%	43.15%	39.26%	18.73%
Net Asset Value Per Share	\$ 12.81	\$ 12.93	\$ 17.70	\$ 13.80	\$ 15.36	\$ 13.42

Ratios and Supplemental Data – Series F

	June 30 2023⁽⁴⁾	December 31 2022	December 31 2021	December 31 2020	December 31 2019	December 31 2018
Total Net Asset Value (000s)	\$ 34,811	\$ 29,917	\$ 24,760	\$ 14,744	\$ 14,451	\$ 6,740
Number of Shares Outstanding	2,295,849	1,973,278	1,215,365	943,668	845,078	458,109
Management Expense Ratio ("MER") ⁽¹⁾	1.11%	1.15%	1.16%	1.20%	1.15%	1.24%
Trading Expense Ratio ⁽²⁾	0.08%	0.07%	0.07%	0.15%	0.18%	0.11%
Portfolio Turnover Rate ⁽³⁾	15.98%	23.59%	28.87%	43.15%	39.26%	18.73%
Net Asset Value Per Share	\$ 15.16	\$ 15.16	\$ 20.37	\$ 15.62	\$ 17.10	\$ 14.71

- ⁽¹⁾ 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.
- ⁽²⁾ 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.
- ⁽³⁾ 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.
- ⁽⁴⁾ As at June 30, 2023 or for the six month period ended June 30, 2023, as applicable.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

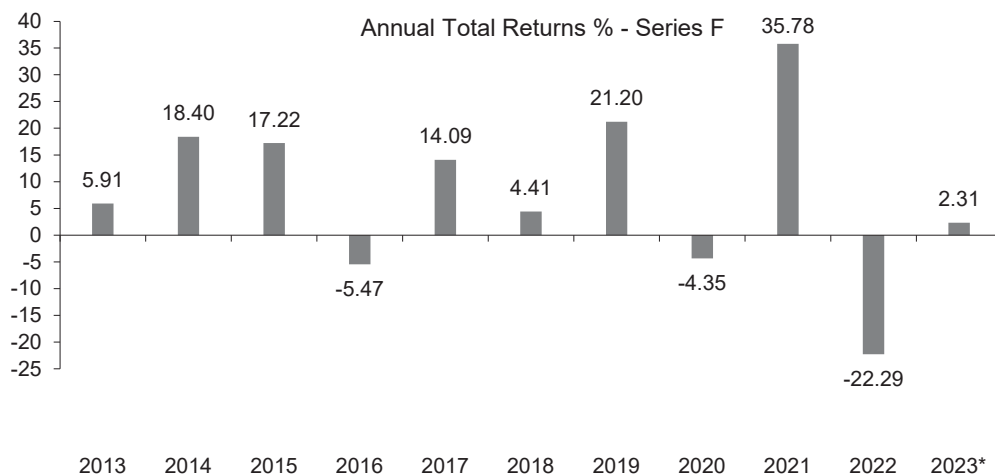
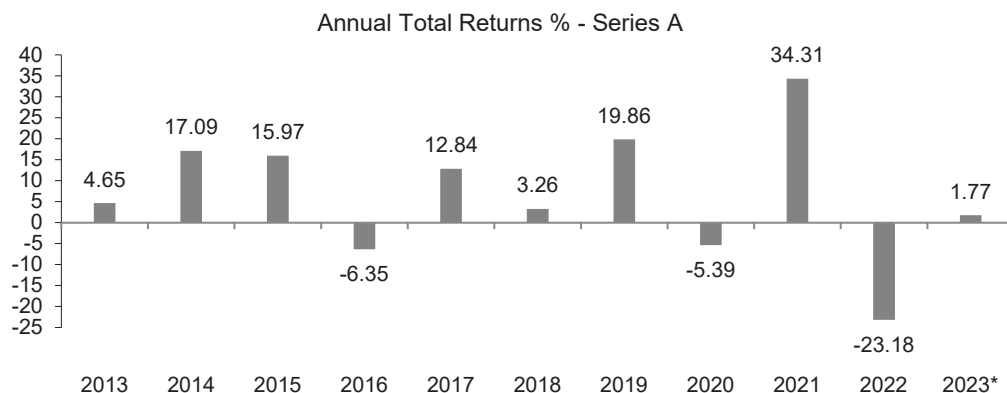
FOR THE SIX MONTHS ENDED JUNE 30, 2023

Past Performance

The performance information shown, which is based on Net Asset Value, assumes that all distributions paid by the Fund in the years shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The bar charts show how the Fund's performance has varied from year to year for each of the years shown. The charts indicate, in percentage terms, how much an investment made the first day of each financial period would have grown or decreased by the last day of the financial period.



* For the six month period ended June 30, 2023.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE SIX MONTHS ENDED JUNE 30, 2023

Summary of Investment Portfolio

AS AT JUNE 30, 2023

Top Twenty-Five Holdings

DESCRIPTION	% OF NET ASSET VALUE
1 Canadian Apartment Properties Real Estate Investment Trust	5.3
2 Boardwalk Real Estate Investment Trust	4.6
3 Dream Industrial Real Estate Investment Trust	4.4
4 Granite Real Estate Investment Trust	4.1
5 Prologis Inc.	4.1
6 Killam Apartment Real Estate Investment Trust	3.3
7 SmartCentres Real Estate Investment Trust	3.1
8 RioCan Real Estate Investment Trust	3.0
9 Sun Communities Inc.	2.9
10 Choice Properties Real Estate Investment Trust	2.8
11 Nexus Industrial Real Estate Investment Trust	2.8
12 Equinix Inc.	2.8
13 Chartwell Retirement Residences	2.8
14 First Capital Real Estate Investment Trust	2.8
15 InterRent Real Estate Investment Trust	2.7
16 FirstService Corp.	2.6
17 Segro PLC	2.5
18 Minto Apartment Real Estate Investment Trust	2.5
19 SBA Communications Corp.	2.4
20 Essex Property Trust Inc.	2.3
21 Brookfield Asset Management Ltd.	2.3
22 Welltower Inc.	2.2
23 Extendicare Inc.	2.2
24 Colliers International Group Inc.	2.2
25 Primaris Real Estate Investment Trust	2.1

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

ASSET CLASS	% OF NET ASSET VALUE
Real Estate	93.7
Financials	4.2
Cash and Short-Term Investments	2.0
Other Assets (Liabilities)	0.1
	100.0
TOTAL NET ASSET VALUE	\$ 47,734,588

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.



INTERIM FINANCIAL REPORT

NOTICE

The accompanying unaudited financial statements of Middlefield Real Estate Dividend Class for the period ended June 30, 2023 have been prepared by management and have not been reviewed by the external auditors of the Fund.



Jeremy Brasseur
Director
Middlefield Limited



Craig Rogers
Director
Middlefield Limited

August 21, 2023

INTERIM FINANCIAL REPORT

UNAUDITED

Statements of Financial Position

AS AT (In Canadian Dollars)	June 30, 2023	December 31, 2022
ASSETS		
Current Assets		
Investments at Fair Value Through Profit or Loss	\$ 46,734,970	\$ 39,771,531
Cash	931,563	3,016,502
Income and Interest Receivable	155,291	126,311
Prepaid Expenses	25,854	10,708
Subscriptions Receivable	12,636	19,577
Total Assets	47,860,314	42,944,629
LIABILITIES		
Current Liabilities		
Management Fee Payable (Note 7)	53,994	42,599
Accounts Payable and Accrued Liabilities	42,261	40,878
Redemptions Payable	29,471	2,386
Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Shares)	125,726	85,863
Net Assets Attributable to Holders of Redeemable Shares	\$ 47,734,588	\$ 42,858,766
Net Assets Attributable to Holders of Redeemable Shares – Series A	\$ 12,923,209	\$ 12,941,837
Net Assets Attributable to Holders of Redeemable Shares – Series F	\$ 34,811,379	\$ 29,916,929
Mutual Fund Shares Issued and Outstanding – Series A (Note 6)	1,008,890	1,000,796
Mutual Fund Shares Issued and Outstanding – Series F (Note 6)	2,295,849	1,973,278
Net Assets Attributable to Holders of Redeemable Shares per Share – Series A	\$ 12.81	\$ 12.93
Net Assets Attributable to Holders of Redeemable Shares per Share – Series F	\$ 15.16	\$ 15.16

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

Approved by the Board of Directors:



Director: Catherine Rebuldela



Director: Craig Rogers

INTERIM FINANCIAL REPORT

UNAUDITED

Statements of Comprehensive Income

FOR THE SIX MONTHS ENDED JUNE 30

(In Canadian Dollars)

	2023	2022
REVENUE (LOSS)		
Income from Investments	\$ 734,100	\$ 516,779
Interest Income for Distribution Purposes	52,115	3,320
Foreign Exchange Gain (Loss) on Cash	9,706	6,465
Other Changes in Fair Value of Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss		
Net Realized Gain (Loss) from Investment Transactions	536,899	536,784
Change in Net Unrealized Gain (Loss) on Investments	(356,102)	(11,702,401)
Change in Net Unrealized Gain (Loss) on Foreign Currency Transactions	(5,206)	(6)
Total Revenue (Loss)	971,512	(10,639,059)
OPERATING EXPENSES (Note 7)		
Audit Fees	7,124	6,793
Custodial Fees	2,301	2,519
Fund Administration Costs	35,622	36,021
Legal Fees	3,453	1,925
Management Fee	278,089	272,959
Securityholder Reporting Costs	15,266	14,672
Transaction Costs (Note 7)	18,179	14,561
Total Operating Expenses	360,034	349,450
Profit (Loss) before Tax	611,478	(10,988,509)
Withholding Taxes	18,815	17,498
Profit (Loss) after Tax	\$ 592,663	\$ (11,006,007)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	\$ 592,663	\$ (11,006,007)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares – Series A	\$ 185,429	\$ (3,730,401)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares – Series F	\$ 407,234	\$ (7,275,606)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares per Share – Series A (Note 6)	\$ 0.18	\$ (3.76)
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares per Share – Series F (Note 6)	\$ 0.19	\$ (4.64)

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

INTERIM FINANCIAL REPORT

UNAUDITED

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

FOR THE SIX MONTHS ENDED JUNE 30, 2023

(In Canadian Dollars)	Series A	Series F	Total
Net Assets Attributable to Holders of Redeemable Shares at Beginning of Period	\$ 12,941,837	\$ 29,916,929	\$ 42,858,766
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	185,429	407,234	592,663
DISTRIBUTIONS TO SHAREHOLDERS:			
From Net Investment Income	(66,443)	(359,102)	(425,545)
From Capital Gains	(174,674)	(371,932)	(546,606)
Return of Capital	(127,732)	(62,944)	(190,676)
	(368,849)	(793,978)	(1,162,827)
REDEEMABLE SHARE TRANSACTIONS:			
Proceeds from Issue of Shares	1,229,323	6,157,732	7,387,055
Reinvested Distributions	240,235	510,137	750,372
Payment on Redemption of Shares	(1,304,766)	(1,386,675)	(2,691,441)
	164,792	5,281,194	5,445,986
Net Assets Attributable to Holders of Redeemable Shares at End of Period	\$ 12,923,209	\$ 34,811,379	\$ 47,734,588

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(In Canadian Dollars)	Series A	Series F	Total
Net Assets Attributable to Holders of Redeemable Shares at Beginning of Period	\$ 17,474,271	\$ 24,759,884	\$ 42,234,155
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	(3,730,401)	(7,275,606)	(11,006,007)
DISTRIBUTIONS TO SHAREHOLDERS:			
From Net Investment Income	(3,384)	(164,328)	(167,712)
From Capital Gains	(192,458)	(350,791)	(543,249)
Return of Capital	(161,958)	(65,875)	(227,833)
	(357,800)	(580,994)	(938,794)
REDEEMABLE SHARE TRANSACTIONS:			
Proceeds from Issue of Shares	1,088,231	14,792,098	15,880,329
Reinvested Distributions	239,154	420,524	659,678
Payment on Redemption of Shares	(1,250,415)	(1,778,625)	(3,029,040)
	76,970	13,433,997	13,510,967
Net Assets Attributable to Holders of Redeemable Shares at End of Period	\$ 13,463,040	\$ 30,337,281	\$ 43,800,321

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

INTERIM FINANCIAL REPORT

UNAUDITED

Statements of Cash Flows

FOR THE SIX MONTHS ENDED JUNE 30

(In Canadian Dollars)

	2023	2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares	\$ 592,663	\$ (11,006,007)
Adjustments:		
Proceeds from Sale of Investments	7,163,964	8,463,096
Purchases of Investments	(13,946,607)	(19,160,224)
Foreign Exchange (Gain) Loss on Cash	(4,500)	(6,459)
Net Realized (Gain) Loss from Investment Transactions	(536,899)	(536,784)
Change in Net Unrealized (Gain) Loss on Investments	356,102	11,702,401
	(6,375,277)	(10,543,977)
Net Change in Non-Cash Working Capital	(31,348)	(10,199)
Net Cash from (used in) Operating Activities	(6,406,625)	(10,554,176)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from Issue of Shares	7,393,996	15,919,805
Payment on Redemption of Shares	(2,664,356)	(3,125,554)
Distributions Paid	(412,454)	(279,116)
Net Cash from (used in) Financing Activities	4,317,186	12,515,135
Net Increase (Decrease) in Cash	(2,089,439)	1,960,959
Net Foreign Exchange Gain (Loss) on Cash	4,500	6,459
Cash at Beginning of Period	3,016,502	1,099,625
Cash at End of Period	\$ 931,563	\$ 3,067,043

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

INTERIM FINANCIAL REPORT

UNAUDITED

Schedule of Investment Portfolio

AS AT JUNE 30, 2023

(In Canadian Dollars)

Description	No. of Securities	Average Cost	Fair Value
Allied Properties Real Estate Investment Trust	25,000	\$ 713,413	\$ 543,000
Boardwalk Real Estate Investment Trust	35,000	1,779,770	2,176,650
BSR Real Estate Investment Trust	40,000	683,938	682,263
Canadian Apartment Properties Real Estate Investment Trust	50,000	2,197,069	2,543,000
Chartwell Retirement Residences	140,000	1,428,896	1,325,800
Choice Properties Real Estate Investment Trust	100,000	1,460,940	1,357,000
Colliers International Group Inc.	8,000	772,592	1,040,000
Crombie Real Estate Investment Trust	72,000	1,055,450	984,960
Crown Castle Inc.	6,000	908,084	904,621
CT Real Estate Investment Trust	60,000	860,235	905,400
Dream Industrial Real Estate Investment Trust	150,000	2,195,876	2,116,500
Dream Residential Real Estate Investment Trust	75,000	717,237	793,945
Equinix Inc.	1,300	1,064,788	1,348,544
Essex Property Trust Inc.	3,500	1,090,329	1,085,124
Extencicare Inc.	150,000	1,068,253	1,069,500
First Capital Real Estate Investment Trust	90,000	1,405,654	1,315,800
First Industrial Realty Trust Inc.	12,000	845,246	835,865
FirstService Corp.	6,000	317,796	1,224,120
Flagship Communities Real Estate Investment Trust	40,000	924,667	860,107
Granite Real Estate Investment Trust	25,000	1,793,030	1,959,500
H&R Real Estate Investment Trust	55,000	644,664	563,750
InterRent Real Estate Investment Trust	100,000	920,535	1,282,000
Killam Apartment Real Estate Investment Trust	90,000	1,487,000	1,589,400
Minto Apartment Real Estate Investment Trust	80,000	1,404,267	1,201,600
Nexus Industrial Real Estate Investment Trust	160,000	1,651,639	1,356,800
Primaris Real Estate Investment Trust	75,000	1,125,948	1,010,250
Prologis Inc.	12,000	1,450,926	1,947,229
RioCan Real Estate Investment Trust	75,000	1,354,774	1,446,000
SBA Communications Corp.	3,800	1,101,089	1,165,363
Segro PLC	100,000	967,791	1,205,881
Sienna Senior Living Inc.	80,000	978,008	921,600
SmartCentres Real Estate Investment Trust	60,000	1,550,511	1,457,400
STAG Industrial Inc.	12,000	496,184	569,735
Sun Communities Inc.	8,000	1,557,876	1,381,041
Tricon Residential Inc.	75,000	1,073,498	876,000
Vonovia SE	25,000	875,846	645,852
Welltower Inc.	10,000	885,396	1,070,370
REAL ESTATE: 93.9%		42,809,215	44,761,970
Brookfield Asset Management Ltd.	25,000	1,005,989	1,081,000
Brookfield Corp.	20,000	888,460	892,000
FINANCIALS: 4.1%		1,894,449	1,973,000
TRANSACTION COSTS (NOTE 7)		(58,858)	-
TOTAL INVESTMENTS: 98.0%		44,644,806	46,734,970
CASH: 2.0%		931,563	931,563
Total Investment Portfolio, including Cash	\$	45,576,369	\$ 47,666,533

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 | UNAUDITED

1. Middlefield Real Estate Dividend Class

Middlefield Real Estate Dividend Class (the "Fund") is one of eight classes of issued mutual fund shares of Middlefield Mutual Funds Limited (the "Corporation"), a mutual fund corporation continued under the laws of Alberta. Effective January 1, 2017, switches between classes of a mutual fund corporation are considered a disposition at fair market value for tax purposes, resulting in the recognition of capital gains or losses for investors. The changes have not affected switches between Series A and Series F securities of the same Mutual Fund class. The Fund is authorized to issue series of shares designated as Series A and F. Each series has a different management fee rate. The Fund first issued Series A shares on June 9, 2011 and Series F shares on September 30, 2011. The investment objectives of the Fund are to provide a stable level of income and maximize long-term total return by investing primarily in equities as well as equity-related and fixed income securities of issuers operating in the real estate sector. Middlefield Limited is the manager of the Fund (the "Manager"). The address of the Fund's registered office is 350 7 Ave SW Suite 3400, Calgary, Alberta. These financial statements, expressed in Canadian Dollars, were authorized for issuance by the board of directors of the Fund on August 21, 2023.

2. Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Financial Reporting Standards 34 Interim Financial Reporting ("IAS 34") as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

3. Summary of Significant Accounting Policies

A. Basis of Accounting

IFRS 9 *Financial Instruments* ("IFRS9")

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 liabilities are classified at fair value through profit or 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. Due to the high quality and short-term nature 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

June 30, 2023 | UNAUDITED

3. 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 expenses, accounts payable-portfolio securities purchased, management fee payable, 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. The Fund's Net Assets Attributable to Holders of Redeemable Shares 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 shareholders.

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. Redeemable Shares and Net Assets Attributable to Holders of Redeemable Shares

The Fund has two series of redeemable shares in issue: Series A and Series F. Both rank pari passu in all material respects and have the same terms and conditions other than the management fee rate, which is 1.75% for Series A and 0.75% for Series F.

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's NAV attributable to the share class. The redeemable shares are classified as financial liabilities and are measured at the redemption amounts.

Redeemable shares are issued and redeemed based on the Fund's NAV per share, calculated by dividing the net assets of the Fund, calculated in accordance with the Fund's Simplified Prospectus, by the number of redeemable shares in issue. The Fund's Simplified Prospectus requires that investment positions are valued on the basis of the last traded market price for the purpose of determining the trading NAV per share for subscriptions and redemptions.

The financial assets and liabilities at fair value through profit or loss in the Statements of Financial Position are based on closing prices in accordance with IFRS.

Distributions are declared at the discretion of the board of directors of the Corporation. The board of directors has adopted a policy of annually assessing the Corporation's net income and net realized capital gains and declaring distributions including, if applicable, capital gains dividends to refund tax which would otherwise be payable by the Corporation. Distributions to holders of redeemable shares are recognized in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares. Income not distributed is included in Net Assets Attributable to Holders of Redeemable Shares.

Net assets are calculated for each series of shares of the Fund. The net assets of a particular series of shares is computed by calculating the value of the series' proportionate share of the assets and liabilities of the Fund common to all series. Management fees directly attributable to a series are charged to that series. Other expenses, investment income and realized and unrealized gains and losses on investments are allocated proportionately to each series based upon the relative net assets of each series.

D. 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 are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 | UNAUDITED

3. Summary of Significant Accounting Policies (continued)

D. Fair Value Measurement (continued)

Futures contracts are marked to market each valuation day according to the gain or loss that would have been realized if the contracts had been closed out. Gains or losses arising from futures contracts are recorded as unrealized gain (loss) on futures contracts and shown as an asset (liability) on the Statements of Financial Position until the contracts are closed out or expire, at which time the gains (losses) are realized. 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 Statements 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 Statements of Comprehensive Income.

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.

E. 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 an 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 Statements of Comprehensive Income represents the interest received on bank deposits 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 Statements of Comprehensive Income.

F. Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares Per Share

Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares per share in the Statements of Comprehensive Income represents the increase (decrease) in Net Assets Attributable to Holders of Redeemable Shares for each series divided by the average shares outstanding for each series during the period.

G. Income Taxes

The Corporation qualifies as a mutual fund corporation as defined in the *Income Tax Act* (Canada) (the "Tax Act"). The Corporation is subject to tax at the full corporate rate on its taxable income. Dividends received from taxable Canadian corporations are generally not included in the taxable income of the Corporation but are subject to a special tax, refunded at a rate of 38 1/3% of taxable dividends distributed by the Corporation to its shareholders. Capital gains realized in the period are included in the taxable income of the Fund at the applicable capital gains rate. The Corporation is eligible for a refund calculated on a formula basis when mutual fund shares are redeemed or when capital gains dividends are paid to shareholders. The Corporation endeavours to pay out sufficient Canadian dividends and net capital gains so that it will not be subject to refundable income taxes in respect of income from those sources. However, the Corporation will be liable for non-refundable income tax if its income from other sources exceeds its expenses for the period.

Temporary differences between the carrying values of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. The most significant temporary difference is that between the reported fair value of the investment portfolio and its adjusted cost base ("ACB") for income tax purposes. To the extent that the fair value of the portfolio exceeds its ACB, a future tax liability arises. Since capital gains taxes payable by the Corporation are refundable under the relevant provisions of the Tax Act, the future tax liability is fully offset by these future refundable taxes. Conversely, when the ACB exceeds the fair value of the portfolio, a future tax asset is generated. In such cases, a full valuation allowance is taken to offset this asset given the uncertainty that such future tax assets will ultimately be realized.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 | UNAUDITED

3. Summary of Significant Accounting Policies (continued)

G. Income Taxes (continued)

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 Statements of Comprehensive Income.

Distributions received from investments in 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.

H. 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.

I. 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 investments and 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.

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 4 for further information about the fair value measurement of the Fund's financial instruments.

J. 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 Statements of Comprehensive Income.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 | UNAUDITED

4. 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 judgement or estimation.

The Fund's investments at fair value as at June 30, 2023 and 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, prepaid expenses, subscriptions receivable, management fee payable, accounts payable and accrued liabilities, redemptions payable and the Fund's obligation for Net Assets Attributable to Holders of Redeemable Shares approximates their fair values due to their short-term nature.

Fair values 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.

The Fund's policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3. No transfers between levels have occurred during the period ended June 30, 2023 or the year ended December 31, 2022.

5. Financial Risk Management

In the normal course of business the Fund is exposed to a variety of financial risks: price risk, foreign exchange rate risk, liquidity risk, credit risk and concentration risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder 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

June 30, 2023 | UNAUDITED

5. 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:

	June 30, 2023	December 31, 2022
Investments at FVTPL	\$ 46,734,970	\$ 39,771,531

Based on the above exposure at June 30, 2023, a 10% increase or decrease in the prices of the Fund's investments would result in a \$4,673,497 (December 31, 2022 – \$3,977,153) increase or decrease in net assets of the Fund, with all other factors held constant.

B. 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 presentation 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 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 June 30, 2023

Currency	Investments at FVTPL	Cash	Income and Interest Receivable	Total Exposure
U.S. Dollar	\$ 12,644,207	\$ 28,108	\$ 40,807	\$ 12,713,122
U.K. Pound Sterling	1,205,881	-	-	1,205,881
European Euro	645,852	(2)		645,850
Total	\$ 14,495,940	\$ 28,106	\$ 40,807	\$ 14,564,853

As at December 31, 2022

Currency	Investments at FVTPL	Cash	Income and Interest Receivable	Total Exposure
U.S. Dollar	\$ 10,575,773	\$ 153,360	\$ 23,878	\$ 10,753,011
U.K. Pound Sterling	1,860,677	-	9,510	1,870,187
Total	\$ 12,436,450	\$ 153,360	\$ 33,388	\$ 12,623,198

Based on the above exposure at June 30, 2023, a 10% increase or decrease in the Canadian dollar against the respective currencies would result in a \$1,456,486 (December 31, 2022 – \$1,262,320) decrease or increase in net assets 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 daily cash redemptions of its shares. The shares of the Fund are issued and redeemed on demand at the NAV per share. All other obligations of the Fund are due within one year. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 | UNAUDITED

5. Financial Risk Management (continued)

C. Liquidity Risk (continued)

The Fund may invest in securities that are not traded on a 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 involves detailed analysis of such private 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. The Fund did not hold any illiquid securities as at June 30, 2023 or December 31, 2022.

The tables below present 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 June 30, 2023

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Management Fee Payable	\$ 53,994	\$ -	\$ -	\$ 53,994
Accounts Payable and Accrued Liabilities	42,261	-	-	42,261
Redemptions Payable	29,471	-	-	29,471
Net Assets Attributable to Holders of Redeemable Shares	47,734,588	-	-	47,734,588
Total	\$ 47,860,314	\$ -	\$ -	\$ 47,860,314

As at December 31, 2022

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Management Fee Payable	\$ 42,599	\$ -	\$ -	\$ 42,599
Accounts Payable and Accrued Liabilities	40,878	-	-	40,878
Redemptions Payable	2,386	-	-	2,386
Net Assets Attributable to Holders of Redeemable Shares	42,858,766	-	-	42,858,766
Total	\$ 42,944,629	\$ -	\$ -	\$ 42,944,629

D. Credit Risk

Credit risk represents the financial loss that the Fund would experience if a counterparty to a financial instrument 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.

E. 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 June 30, 2023 and December 31, 2022, the percentages of the Fund's total net assets invested in each investment sector were as follows:

Sector	As a % of Net Assets	
	June 30, 2023	December 31, 2022
Real Estate	93.7	89.9
Financials	4.2	2.9
Total	97.9	92.8

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 | UNAUDITED

6. Share Capital

The mutual fund shares and five common shares of the Corporation have equal rights and privileges except that the common shares may not be redeemed. Changes in issued mutual fund shares of the Fund are summarized as follows:

	Number of Shares - Series A	
	June 30, 2023	December 31, 2022
Shares Outstanding at Beginning of Period	1,000,796	987,500
Shares Issued	89,760	106,043
Reinvested Distributions	17,957	33,223
Total	1,077,177	1,099,266
Shares Redeemed	(99,623)	(125,970)
Net Increase (Decrease)	8,094	13,296
Shares Outstanding at End of Period	1,008,890	1,000,796

	Number of Shares - Series F	
	June 30, 2023	December 31, 2022
Shares Outstanding at Beginning of Period	1,973,278	1,215,365
Shares Issued	379,424	963,125
Reinvested Distributions	32,384	55,793
Total	2,385,086	2,234,283
Shares Redeemed	(89,237)	(261,005)
Net Increase (Decrease)	322,571	757,913
Shares Outstanding at End of Period	2,295,849	1,973,278

The average number of Series A and Series F shares outstanding during the period ended June 30, 2023 were 1,024,747 and 2,187,151 (June 30, 2022 – 992,221 and 1,569,277), respectively. These numbers were used to calculate the respective Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Shares per share.

7. Related Party Transactions

A. Management Fee

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a monthly fee in arrears based on each series of shares as a percentage of the average daily NAV of the series. The management fee for Series A is 1.75% per annum and for Series F is 0.75% per annum. For the period ended June 30, 2023, management fees before the absorption of expenses amounted to \$0.2 million (June 30, 2022 - \$0.2 million).

B. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions during the period ended June 30, 2023 amounted to \$18,179 (June 30, 2022 – \$14,561). Included in this amount is \$5,025 (June 30, 2022 – \$5,048) in brokerage commissions that were paid to Middlefield Capital Corporation ("MCC") a company under common control with the Manager. All brokerage 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 Statements of Comprehensive Income.

C. Other Expenses

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, 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 accounting review and administrative services, the preparation and filing of tax returns, the preparation and filing of financial statements and related reports and maintaining and updating the Fund's website. In aggregate, these fees amounted approximately \$5,150 throughout the period. In addition, the Fund would be responsible for reimbursing the Manager for any reasonable out of pocket expenses incurred on the Fund's behalf. Common expenses incurred by the Fund are allocated among the series on a pro-rata basis among all shares of all series.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 | UNAUDITED

8. Securities Lending

The Fund had 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 reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, RBC Investor Services Trust, is entitled to receive. The Fund did not earn any securities lending income during the periods ended June 30, 2023 and June 30, 2022.

On June 20, 2023, the Fund terminated its securities lending agreement with RBC Investor Services Trust and exited the program. There were no securities loaned or collateral held at the time of termination or as at December 31, 2022.

9. Capital Management

The Fund's capital is its Net Assets Attributable to Holders of Redeemable Shares, representing shareholders' 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 shareholders, maximize shareholder value and maintain financial strength.

The Fund is not subject to any externally imposed capital requirements. The Fund's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2022.

10. Loss Carryforwards

At December 31, 2022, the Corporation had no non-capital losses (December 31, 2021 – \$nil) and no capital losses (December 31, 2021 – \$nil) available for carryforward for tax purposes.

11. Distributions to Shareholders

Distributions to shareholders from the Fund are made to minimize income taxes payable by the Fund. Accordingly, distributions will vary from the accounting income reflected in these financial statements. Distributions of the Fund, unless otherwise specified by the shareholder, are automatically reinvested in additional shares of the Fund at the per share NAV without sales charge. Distributions per Series A share and Series F share of \$0.36 were paid to shareholders of the Fund at the end of each month during the period ended June 30, 2023 (June 30, 2022 – \$0.36).

Distributions to Shareholders – Series A	June 30, 2023	June 30, 2022
From Net Investment Income		
Total	\$ 66,443	\$ 3,384
Per Share	0.07	-
From Capital Gains		
Total	174,674	192,458
Per Share	0.17	0.20
Return of Capital		
Total	127,732	161,958
Per Share	0.12	0.16

Distributions to Shareholders – Series F	June 30, 2023	June 30, 2022
From Net Investment Income		
Total	\$ 359,102	\$ 164,328
Per Share	0.16	0.10
From Capital Gains		
Total	371,932	350,791
Per Share	0.17	0.22
Return of Capital		
Total	62,944	65,875
Per Share	0.03	0.04

MIDDLEFIELD FUNDS FAMILY |

EXCHANGE - TRADED FUNDS (ETFs)		TSX Stock Symbol
• Middlefield Healthcare Dividend ETF		MHCD
• 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 Innovation & Health Dividend Fund	SIH.UN	
• Sustainable Real Estate Dividend Fund	MSRE.UN	
MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS		Fund Code
Series A Units		FE/LL/DSC
• Middlefield 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		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 Dividend Growers Class		MID 181/183/186
• Middlefield Real Estate Dividend Class		MID 600/649/650
• Middlefield Global Energy Transition Class		MID 265
• Middlefield Innovation Dividend Class		MID 925
• Middlefield High Interest Income Class		MID 400/424/425
• Middlefield Income Plus Class		MID 800/849/850
• Middlefield U.S. Equity Dividend 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		MID 601
• Middlefield Global Energy Transition Class		MID 266
• Middlefield Innovation Dividend Class		MID 926
• Middlefield Income Plus Class		MID 801
• Middlefield U.S. Equity Dividend Class		MID 701
RESOURCE FUNDS		
• Discovery 2022 Short Duration LP		
• MRF 2022 Resource Limited Partnership		
• MRF 2023 Resource Limited Partnership (commenced February 23, 2023)		
INTERNATIONAL FUNDS		
• Middlefield Canadian Income PCC	London UK Stock Exchange (LSE) Symbol:MCT	



MIDDLEFIELD

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