ANNUAL REPORT 2010

Canadian Utilities & Telecom Income Fund

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Letter to Unitholders

We are pleased to present the 2010 annual report containing the management report of fund performance and the financial statements for Canadian Utilities & Telecom Income Fund (the “Fund”).

The Fund is a closed-end investment trust designed to maximize total returns for unitholders and to pay unitholders monthly distributions in an amount targeted to be 7.0 percent per annum on the net asset value of the Fund. The units are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol UTE.UN. To accomplish its objectives the Fund invests in a portfolio principally consisting of equity securities of large capitalization (over $1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the TSX. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum. To generate additional returns above the dividend income earned on the Fund’s investment portfolio, the Fund may, from time to time, write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio. The Fund may also write cash covered put options in respect of securities in which it is permitted to invest.

The Fund completed its initial public offering on December 17, 2010, raising gross proceeds of $58.8 million from the issuance of 4,900,000 units. Subsequent to the year-end, the Fund closed the over-allotment raising an additional $1.9 million from the issuance of 160,000 units. At year-end, the Fund was 25 percent invested. No distributions were paid on the units of the Fund as it closed its initial public offering in mid-December. The market price of the units on December 31, 2010 was $11.94. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all unitholders for their continued support and encourage unitholders to review the more detailed information contained within the annual report.

John P. Mulvihill
Chairman & President,
Mulvihill Capital Management Inc.

Canadian Utilities & Telecom Income Fund [UTE.UN]

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Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the period ended December 31, 2010 of Canadian Utilities & Telecom Income Fund (the "Fund"). The annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at www.mulvihill.com.

Investment Objectives and Strategies

The Fund's investment objectives are to:

(i) pay holders of its units (''Unitholders'') monthly distributions in an amount targeted to be 7.0 percent per annum on the net asset value (''NAV'') of the Fund; and

(ii) preserve and enhance the Fund's NAV while reducing portfolio volatility.

The Fund achieves its investment objectives by investing in a portfolio consisting principally of equity securities of large capitalization (over $1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the Toronto Stock Exchange. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum.

The Fund may also invest up to 20 percent of the Fund's NAV in equity securities of other Utilities and Telecommunication Services issuers listed on a North American stock exchange, subject to a minimum market capitalization of $250 million and a minimum distribution yield of 2 percent per annum.

To generate additional returns above the distributions earned on its equity securities, the Fund may, from time to time, selectively write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio.

Risk

Risks associated with an investment in the units of the Fund are discussed in the Fund's prospectus, which is available on the Fund's website at www.mulvihill.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the units of the Fund.

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available on our website at www.mulvihill.com.

Asset Mix
December 31, 2010

	% OF NET ASSET VALUE
Cash and Short-Term Investments	76 %
Utilities	18 %
Telecommunication Services	7 %
Other Assets (Liabilities)	(1)%
	100 %

Portfolio Holdings

December 31, 2010

	% OF NET ASSET VALUE
Cash and Short-Term Investments	76 %
BCE Inc.	3 %
Enbridge Inc.	3 %
TransCanada Corp.	3 %
Fort Chicago Energy Partners L.P.	3 %
TransAlta Corporation	2 %
Shaw Communications Inc. - Class B	2 %
Fortis Inc.	2 %
Canadian Utilities Ltd.	2 %
Inter Pipeline Fund L.P.	2 %
TELUS Corporation	1 %
Altagas Ltd.	1 %
Emera Inc.	1 %
Rogers Communications Inc. - Class B	0 %

Results of Operations

Distributions

Since inception date of December 17, 2010, no distributions were paid to the unitholders.

Revenues and Expenses

For the fifteen day period ended December 31, 2010, the Fund's total revenue was $0.01 per unit and total expenses were equal to $0.01 per unit. The Fund had a net realized and unrealized loss of $0.01 per unit during the same period.

Net Asset Value

The net asset value per unit of the Fund was $11.23 per unit at December 31, 2010. The total net asset value of the Fund was $55.0 million at December 31, 2010, primarily reflecting the net proceeds received from its initial offering.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception on December 17, 2010.

The net assets per unit presented in the financial statements differs from the net asset value per unit calculated daily, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for daily net asset value purposes.

Period ended December 31

		2010[4]
THE FUND'S NET ASSETS PER UNIT		
Net Assets, beginning of period (based on bid prices)[1]	**$**	**11.25[5]**
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		**0.01**
Total expenses		**(0.01)**
Realized gain (loss) for the period		**–**
Unrealized gain (loss) for the period		**(0.01)**
Total Increase (Decrease) from Operations[2]		**(0.01)**
DISTRIBUTIONS		
From net investment income		**–**
From capital gains		**–**
Total Annual Distributions[3]		**–**
Net Assets, as at December 31 (based on bid prices)[1]	**$**	**11.23**

(1) Net assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date date and including the valuation of securities at bid prices divided by the number of units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gains (losses), less expenses and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.
(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.
(4) For the period from inception on December 17, 2010 to December 31, 2010.
(5) Initial issue price, net of agent fees and initial issue costs.

RATIOS/SUPPLEMENTAL DATA		
Net Asset Value ($millions)[1]	**$**	**55.04**
Number of units outstanding[1]		**4,900,000**
Management expense ratio[2]		**2.46%[5]**
Portfolio turnover rate[3]		**0.31%**
Trading expense ratio[4]		**0.30%[5]**
Net Asset Value per unit[6]	**$**	**11.23**
Closing market price	**$**	**11.94**

(1) This information is provided as at December 31.
(2) The management expense ratio is the sum of all fees and expenses, including federal and provincial sales taxes and excluding transaction fees charged to the Fund divided by the average net asset value.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
(5) Annualized.
(6) Net asset value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.

Management Fees

Mulvihill Capital Management Inc. ("MCM"), as the Investment Manager, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and the execution of all portfolio and other transactions.

MCM, as the Manager, is also entitled to fees under the Trust Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Trust Agreement include providing or arranging required administrative services to the Fund.

Recent Developments

The Fund completed its initial public offering on December 17, 2010, raising gross proceeds of $58.8 million from the issuance of 4,900,000 units. Subsequent to the year-end, the Fund closed the over-allotment raising an additional $1.9 million from the issuance of 160,000 units.

Future Accounting Policy Changes

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2013 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the interim period ending June 30, 2013.

The key elements of the changeover plan deal with the requirements for financial reporting, net asset value per unit calculations, systems and processes, and training. The plan also sets out the timeline for implementation of the changes and the required technical training or support required for a smooth transition.

As at December 31, 2010, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles ("Canadian GAAP") where investment fund accounting was based upon guidance in "AcG-18";
- Implementation of cash flow statements;
- Presentation of comparative information; and,
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Due to anticipated changes in IFRS prior to the transition to IFRS, the Manager cannot conclusively determine the impact of the Fund's financial results at this time. Based on the Manager's current understanding and analysis of IFRS to the current accounting policies under Canadian GAAP, the Manager does not anticipate the transition to IFRS will have a material impact on the Fund's net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

Implementation of the changeover plan is progressing as scheduled. The Manager will continue to monitor ongoing changes to IFRS and adjust the changeover plan accordingly.

Year-By-Year Returns, Annual Total Return and Annual Compound Return

The Fund has been operational for less than one year. No year-by-year returns, annual total return or annual compound return have been calculated.

Portfolio Manager Report

The Fund completed its initial public offering ("IPO") of 4,900,000 units on December 17, 2010 for gross proceeds of $58.8 million. Each unit was offered at a price of $12.00. As of December 31, 2010, the Fund was 25 percent invested as the trading liquidity over the holidays declined and the Manager decided to resume investing the proceeds at the beginning of 2011. The Fund declared its initial distribution on January 4, 2011 in the amount of $0.09907 per unit for the period from closing of the IPO to January 31, 2011. Also, the Fund announced on January 7, 2011 that it completed the closing of the over-allotment option by issuing an additional 160,000 units, raising the total gross proceeds to $60.7 million.

Stocks within the Canadian Utilities & Telecom Income Fund universe are characterized by generating predictable cash flows and generally regarded as defensive investments with high and growing dividends. Notable examples of companies with dividend increases are Enbridge Inc. which increased its dividend by 14.9 percent on December 1, 2010, Inter Pipeline Fund L.P. which increased its dividend by 6.6 percent on December 8, 2010 and BCE Inc. which increased its dividend by 7.6 percent on December 10, 2010.

Due to the income trust tax changes that were announced on October 31, 2006 and became effective January 1, 2011, a number of the income trust companies within the universe announced they were converting to a corporation. A few examples of these companies include Bell Aliant Regional Communications Income Fund, Fort Chicago Energy Partners L.P. which converted to Veresen Inc. ("Veresen") and Keyera Facilities Income Fund ("Keyera"). As some of these trusts re-incorporated, they reduced their dividends in order to have a more sustainable payout ratio on a go forward basis. The Fund held Veresen at year-end as the current spread between crude oil and natural gas is considered to be positive for their natural gas liquids business.

The Manager remains positive on both the Utilities and Telecommunication Services sectors due to their ability to generate strong cash flows supported by the long-term fixed price contracts they have with their customers as well as their track record of paying high and growing dividends over time. Due to the current low interest rate environment, the dividend yield relative to government bonds provides attractive valuations for the Utilities and Telecommunication Services shares.

Related Party Transactions

MCM, as the Investment Manager, manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement between the Manager, as manager and on behalf of the Fund, and MCM, as investment manager, dated November 26, 2010.

MCM, as the Manager, pursuant to a Trust Agreement made between MCM and RBC Dexia Investor Services Trust ("the Trustee") dated November 26, 2010, is responsible for providing or arranging for required administrative services. MCM is paid the fees described under the Management Fees section of this report.

Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

We confirm the Fund did not rely on any approvals or recommendations of the IRC concerning related party transactions during the year.

Management's Responsibility for Financial Reporting

The accompanying financial statements of Canadian Utilities & Telecom Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of Mulvihill Capital Management Inc. (the "Manager"), and have been approved by the Fund's Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the independent auditor's report. Deloitte & Touche LLP has full and unrestricted access to the Board.

John P. Mulvihill
Director
Mulvihill Capital Management Inc.
March 2, 2011

John D. Germain
Director
Mulvihill Capital Management Inc.

To the Unitholders of Canadian Utilities & Telecom Income Fund

We have audited the accompanying financial statements of Canadian Utilities & Telecom Income Fund, which comprise the statement of investments as at December 31, 2010, the statement of net assets as at December 31, 2010, and the statement of financial operations, of changes in net assets, and net loss on sale of investments for the period from December 17, 2010, the inception of the Fund, to December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Utilities & Telecom Income Fund as at December 31, 2010, and the results of its operations and its changes in the net assets for period referred to above in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
March 2, 2011
Toronto, Ontario

Statement of Net Assets

As at December 31

		2010
ASSETS		
Investments at fair value (cost - $13,623,781)	$	13,557,089
Short-term investments at fair value (cost - $42,009,750)		42,009,750
Cash		79,431
Interest receivable		10,626
Dividends receivable		29,728
TOTAL ASSETS		55,686,624
LIABILITIES		
Issue expenses payable (Note 5)		600,000
Accrued liabilities		30,772
Accrued management fees		24,909
TOTAL LIABILITIES		655,681
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	$	55,030,943
Number of Units Outstanding (Note 5)		4,900,000
Net Assets per Unit (Note 4)	$	11.2308

On Behalf of the Manager,
Mulvihill Capital Management Inc.

John P. Mulvihill, Director

John D. Germain, Director

The notes are an integral part of the Financial Statements.

Statement of Financial Operations

For the period from December 17, 2010, the inception of the Fund, to December 31, 2010

REVENUE		
Dividends	$	**26,952**
Interest		**20,853**
TOTAL REVENUE		**47,805**
EXPENSES (Note 6)		
Management fees		**24,909**
Service fees		**9,058**
Transaction fees (Note 9)		**6,802**
Custodian fees		**1,350**
Audit fees		**15,000**
Federal and provincial sales taxes		**5,364**
TOTAL EXPENSES		**62,483**
Net Investment Loss		**(14,678)**
Net loss on sale of investments		**(687)**
Unrealized appreciation/depreciation of investments		**(66,692)**
Net Loss on Investments		**(67,379)**
NET DECREASE IN NET ASSETS FROM OPERATIONS	$	**(82,057)**
NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 4,900,000)	$	**(0.0167)**

The notes are an integral part of the Financial Statements.

Statement of Changes in Net Assets

For the period from December 17, 2010, the inception of the Fund, to December 31, 2010

NET ASSETS, BEGINNING OF PERIOD	$	–
Net Decrease in Net Assets from Operations		**(82,057)**
Unit Transactions (Note 5)		
Proceeds from units issued, net of issue costs		**55,113,000**
Change in Net Assets during the Period		**55,030,943**
NET ASSETS, END OF PERIOD	$	**55,030,943**

Statement of Net Loss on Sale of Investments

For the period from December 17, 2010, the inception of the Fund, to December 31, 2010

Proceeds from Sale of Investments	$	**35,817**
Cost of Investments Sold		
Cost of investments, beginning of period		–
Cost of investments purchased		13,660,285
		13,660,285
Cost of Investments, End of Period		**(13,623,781)**
		36,504
NET LOSS ON SALE OF INVESTMENTS	$	**(687)**

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2010

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Portfolio
SHORT-TERM INVESTMENTS				
Term Deposit				
Royal Bank of Canada, 0.95% - January 4, 2011	17,050,000	$ 17,050,000	$ 17,050,000	40.6%
Treasury Bills				
Government of Canada, 0.95% - February 17, 2011	25,000,000	24,959,750	24,959,750	59.4%
		42,009,750	42,009,750	100.0%
Accrued Interest			10,626	0.0%
TOTAL SHORT-TERM INVESTMENTS		$ 42,009,750	$ 42,020,376	100.0%
INVESTMENTS				
Canadian Common Shares				
Telecommunication Services				
BCE Inc.	49,311	$ 1,732,649	$ 1,742,651	
Rogers Communications Inc. - Class B	5,380	196,416	185,664	
Shaw Communications Inc. - Class B	55,964	1,169,272	1,192,033	
TELUS Corporation	14,828	693,203	674,377	
Total Telecommunication Services		3,791,540	3,794,725	28.0%
Utilities				
Altagas Ltd.	25,770	574,119	559,209	
Canadian Utilities Ltd.	20,600	1,123,659	1,117,962	
Emera Inc.	15,816	506,751	495,832	
Enbridge Inc.	25,040	1,391,249	1,407,999	
Fort Chicago Energy Partners L.P.	112,000	1,383,538	1,330,560	
Fortis Inc.	33,400	1,132,007	1,132,594	
Inter Pipeline Fund L.P.	71,000	1,079,342	1,059,320	
TransAlta Corporation	59,397	1,257,618	1,256,246	
TransCanada Corp.	36,970	1,390,733	1,402,642	
Total Utilities		9,839,016	9,762,364	72.0%
Total Canadian Common Shares		$ 13,630,556	$ 13,557,089	100.0%
Adjustment for transaction fees		(6,775)		
TOTAL INVESTMENTS		$ 13,623,781	$ 13,557,089	100.0%

1. Establishment of the Fund

Canadian Utilities & Telecom Income Fund (the "Fund') is a closed-end investment trust established under the laws of the Province of Ontario on November 26, 2010. The Fund began operations on December 17, 2010.

Mulvihill Capital Management Inc. (the "Manager" or the "Investment Manager") is the manager and investment manager of the Fund. RBC Dexia Investor Services Trust (the "Trustee") is the trustee and acts as custodian of the assets of the Fund.

2. Investment Objectives of the Fund

The Fund's investment objectives are to:

(i) pay holders of its units (''unitholders'') monthly distributions in an amount targeted to be 7.0 percent per annum on the net asset value (''NAV'') of the Fund; and

(ii) preserve and enhance the Fund's NAV while reducing portfolio volatility.

The Fund achieves its investment objectives by investing in a portfolio consisting principally of equity securities of large capitalization (over $1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the Toronto Stock Exchange. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum.

The Fund may also invest up to 20 percent of the Fund's NAV in equity securities of other Utilities and Telecommunication Services issuers listed on a North American stock exchange, subject to a minimum market capitalization of $250 million and a minimum distribution yield of 2 percent per annum.

To generate additional returns above the distributions earned on its equity securities, the Fund may, from time to time, selectively write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported period. Primary estimates include valuation of investments. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates.

Financial Instruments – Disclosures

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. See additional note disclosures in Note 11.

The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair value determined as follows:

Securities are valued at fair value, which is determined by the closing bid price on the recognized stock exchange on which the securities are listed or principally traded. If no bid prices are available, the securities are valued at the closing sale price.

Short-term investments are included in the statement of investments at their cost. This value, together with accrued interest, approximates fair value at bid price.

Listed options are valued at fair values as reported on recognized exchanges. Over the counter options are valued using the Black-Scholes valuation model.

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Financial Operations. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation/depreciation of investments are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received;

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in gains (losses) on derivatives.

Realized gains and losses relating to purchased put options may arise from:

(i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid;

(ii) Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid; and

(iii) Sale of purchased put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the change in unrealized appreciation/depreciation of investments. The premiums received on written put options that are exercised are included in the cost of the security purchased.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

4. Net Asset Value

The net asset value of the Fund is calculated using the fair value of investments at the close or last trade price. The net assets per unit is calculated using the fair value of investments at the closing bid price. The net assets per unit for financial reporting purposes and net asset value per unit for pricing purposes will not be the same due to the use of different valuation techniques.

The difference between the net asset value per unit for pricing purposes and the net assets per unit reflected in the financial statements is as follows:

	2010
Net Asset Value per unit (for pricing purposes)	**$11.2331**
Difference	**(0.0023)**
Net Assets per unit (for financial statement purposes)	**$11.2308**

5. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

On December 17, 2010, the Fund issued 4,900,000 units at a price of $12.00 per unit for gross proceeds of $58,800,000. Costs of $3,687,000 were incurred in connection with these offerings and the establishment of the Fund and have been charged to equity. As at December 31, 2010, $600,000 of these costs remain unpaid.

Units may be surrendered at any time for redemption to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be redeemed only on a Redemption Date (as defined below). Units surrendered for redemption by a unitholder at least twenty business days prior to the last day in June 2012 or any year thereafter (the "June Redemption Date") will be redeemed on such June Redemption Date. Units surrendered for redemption by a unitholder at least ten business days prior to the last day of any other month (a "Monthly Redemption Date" and, together with the June Redemption Date, a "Redemption Date"), will be redeemed on such Monthly Redemption Date. If a day that would otherwise be a Redemption Date is not a business day, the Redemption Date shall be the preceding business day. Unitholders will receive payment for the units on or before the 15th day following such Redemption Date (the "Redemption Payment Date").

Commencing in 2012, unitholders whose units are redeemed on a June Redemption Date will be entitled to receive a redemption price per unit equal to the NAV per unit determined as of such date, less costs. Costs may include an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Fund's portfolio.

For unitholders whose units are redeemed on any other Redemption Date, the redemption price per unit will be equal to the lesser of:

(i) 95 percent of the Market Price. For such purposes, "Market Price" means the weighted average trading price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) for the ten trading days immediately preceding the applicable Redemption Date, and

(ii) 100 percent of the Closing Market Price of the units on the applicable redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Fund's portfolio. For such purposes, the "Closing Market Price" means the closing price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading).

Any unpaid distribution payable on or before the applicable Redemption Date in respect of units tendered for redemption on such Redemption Date will also be paid on the applicable Redemption Payment Date.

Unit transactions during the period are as follows:

	2010
Units issued	**4,900,000**
Units outstanding, end of period	**4,900,000**

6. Management Fees and Expenses

Fees are payable to the Manager under the terms of the trust agreement and to the Investment Manager under the terms of the investment management agreement. The fees are payable at annual rates of 1.10 percent of the Fund's net asset value calculated and payable monthly, plus applicable taxes.

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and the Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

The Fund will pay a service fee equal to 0.40 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly.

7. Distributions

The Fund intends to pay monthly cash distributions on the last day of each month in an amount targeted to be 7.0 percent per annum on the NAV of the Fund.

If after such distributions there would otherwise remain in the Fund additional net investment income or net realized capital gains, the Fund intends to make a special distribution of such portion of the remaining net investment income and net realized capital gains as is necessary to ensure that the Fund is not liable for income tax thereon under the Income Tax Act (Canada) (the "Act").

8. Income Taxes

The Fund is a "mutual fund trust" as defined in the Act. The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to unitholders is recoverable by the Fund to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any apprecia-ble non-refundable income tax.

Accumulated non-capital losses of approximately $0.1M are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The non-capital losses expire in 2030.

Issue costs of approximately $3.7M remain undeducted for tax purposes as at December 31, 2010.

9. Transaction Fees

Total transaction fees paid for the period ended December 31, 2010 in connection with portfolio transactions were $6,802. None of this amount was directed for payment of client brokerage commissions.

10. Capital Disclosures

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures" requires the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Fund's objectives, policies and processes are described in Note 2, information on the Fund's unitholders' equity is described in Note 5 and Note 7 and the Fund does not have any externally imposed capital requirements.

11. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments, receivables and payables. In accordance with CICA Handbook Section 3862, "Financial Instruments - Disclosures" the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

(1) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,

(2) Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

(3) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$ 42,020,376	$ –	$ 42,020,376
Canadian Common Shares	13,557,089	–	–	$ 13,557,089
Total Investments	**$ 13,557,089**	**$ 42,020,376**	**$ –**	**$ 55,577,465**

There were no transfers between Level 1 and Level 2 during 2010.

As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include concentration risk, other price risk, liquidity risk, interest rate risk and credit risk.

These risks and related risk management practices employed by the Fund are discussed below:

Concentration Risk

The Fund was created to invest in the securities of Utilities and Telecommunication Services related issuers and is not expected to have significant exposure to any other investments or assets. The Fund's holdings are concentrated in Utilities and Telecommunication Services related securities and they are not diversified.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to other price risk arises from its investments in equity securities. Net assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all of the Canadian securities. The Fund's market risk is managed by taking a long-term perspective and utilizing an option writing program.

Approximately 23 percent of the Fund's net assets held at December 31, 2010 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2010, the net assets of the Fund would have increased or decreased by $1.2M respectively or 2.3 percent of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Fund may, from time to time, write covered call options in respect of all or part of the common shares in the Fund. In addition, the Fund may write cash covered put options in respect of securities in which the Fund is permitted to invest. The Fund is subject to the risk of its investment position including those securities that are subject to outstanding call options and those securities underlying put options written by the Fund, should the market price of such securities decline. In addition, the Fund will not participate in any gain on the securities that are subject to outstanding call options above the strike price of such options. The Fund may also purchase put options. The Fund has downside risk on invested positions which may be partially mitigated by the use of purchased put options. The risk to the Fund with respect to purchased put options is limited to the premiums paid to purchase the put options. There were no options outstanding at December 31, 2010.

Liquidity Risk

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments positions to maintain liquidity and to meet its obligations when due. Liabilities are payable within one year.

Cash is required to fund redemptions. Unitholders must surrender units at least 10 business days prior to the last day of the month and receive payment on or before 15 calendar days following the month end valuation date. Therefore the Fund has a maximum of 21 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short term fixed income securities. The Fund has minimal sensitivity to change in rates since securities are usually held to maturity and are short-term in nature.

Credit Risk

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The credit risk is mitigated by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102.

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the period, based on Standard & Poor's credit ratings as of December 31, 2010:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+

The following are the credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	59%
Term Deposit	A-1+	41%
Total		**100%**

The carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short-term.

12. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2011. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). As a result, the Fund will adopt IFRS for the year beginning on January 1, 2013 and will issue its initial statements on a comparative basis for the interim period ending June 30, 2013.

13. Subsequent Event

On January 7, 2011, the Fund completed the closing of the over-allotment by issuing an additional 160,000 units for gross proceeds of $1,920,000. The costs related to this offering were $100,800.

Board of Advisors

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Mulvihill Capital Management Inc.

John D. Germain
Senior Vice-President & Chief Financial Officer
Mulvihill Capital Management Inc.

Michael M. Koerner[1]
Corporate Director

Robert W. Korthals[1]
Corporate Director

Robert G. Bertram[1]
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[1] *Independent Review Committee Member*

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