



SEMI-ANNUAL
REPORT

2016

CANADIAN UTILITIES & TELECOM INCOME FUND


ASSET MANAGEMENT

Canadian Utilities & Telecom Income Fund

Letter to Unitholders

We are pleased to present the 2016 semi-annual report containing the management report of fund performance and the unaudited financial statements for Canadian Utilities & Telecom Income Fund (the “Fund”).

Stock market performance in the first half of 2016 can be characterized by significant weakness to start off the year due to stagnant economic growth and increasingly ineffective monetary policy which led to a lack of investor confidence. However, after most stock markets hit new lows in early February, they staged a meaningful recovery which continued through the second quarter of 2016. Oil prices which declined over 30 percent to a low of US\$26.21 on February 11, 2016 have maintained a steady uptrend since, topping US\$50 per barrel by mid-June and brought much of the energy complex along with it. Soft commodities were also generally higher during the first six months of 2016. The main commodity story, however, was gold. It is the best performing asset class so far in 2016, up over 24 percent. One might expect to see elevated volatility as investors often flock to gold in times of crisis; however, this was not the case. Interest rates remain low and have even gone into negative levels in some regions, notably Europe and Japan. Surprisingly, stock markets have been calm allowing the VIX (“CBOE Volatility Index”) to drift lower through much of the period. The first half of 2016 was punctuated with “Brexit”. The word was coined to describe Great Britain’s exit from the European Union (“EU”). A referendum was held on June 23 and the people voted 52-48 percent to leave the EU in a surprise upset. The news roiled global markets immediately following the event but North American markets have since fully recovered. The longer term impacts on the region and the world are not yet known.

During the six months ended June 30, 2016, the Fund paid cash distributions of \$0.37 per unit. The net asset value per unit increased from \$10.27 at December 31, 2015 to \$10.79 at June 30, 2016. The total return of the Fund, including the reinvestment of distributions, was 8.7 percent for the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.06 per unit compared to a net realized gain on options of \$0.01 per unit a year ago. 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 detailed information contained within the semi-annual report.



John P. Mulvihill
Chairman & CEO
Strathbridge Asset Management Inc.

The Fund

The Fund is a closed-end investment trust designed to maximize total returns for unitholders including both long-term appreciation in net asset value (“NAV”) per unit and to pay unitholders monthly distributions in an amount targeted to be 7.0 percent per annum on the NAV 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 at least 75 percent of the value of the Fund in securities of Utilities and Telecommunications issuers listed on the TSX which have a minimum market capitalization of \$1 billion and a current minimum distribution yield of 2.0 percent per annum at the time of investment. In addition, up to 25 percent of the value of the Fund may be invested in securities of North American issuers in the Utilities and Telecommunications sectors which have a minimum market capitalization of \$250 million and a minimum distribution yield of 2.0 percent per annum at the time of investment. The Fund may also invest in public investment funds including exchange traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the portfolio and to reduce volatility. 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. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the particular portfolio while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

Canadian Utilities & Telecom Income Fund

Management Report of Fund Performance

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2016 of Canadian Utilities & Telecom Income Fund (the "Fund"). The unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at info@strathbridge.com, or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Results of Operations

Distributions

For the six months ended June 30, 2016, cash distributions of \$0.37 per unit were paid to unitholders compared to \$0.43 per unit a year ago.

Since the inception of the Fund in December 2010, the Fund has paid total cash distributions of \$4.77 per unit.

Revenue and Expenses

For the six months ended June 30, 2016, the Fund's total revenue was \$0.24 per unit, down \$0.01 per unit from the prior year. Total expenses were \$0.15 per unit compared to \$0.19 per unit in 2015. The decrease was largely due to lower management fees and lower administrative expenses. The Fund had a net realized and unrealized gain of \$0.79 per unit in the first half of 2016 as compared to a net realized and unrealized loss of \$1.08 per unit a year earlier.

Net Asset Value

The net asset value per unit of the Fund increased 5.1 percent from \$10.27 at December 31, 2015 to \$10.79 at June 30, 2016. The total net asset value of the Fund decreased by \$1.5 million, from \$36.0 million at December 31, 2015 to \$34.5 million at June 30, 2016, reflecting unit redemptions of \$3.3 million and cash distributions of \$1.3 million, partially offset by an increase in net assets attributable to equity holders of \$3.1 million.

Recent Developments

There were no recent developments pertaining to the Fund during the semi-annual period ending June 30, 2016.

Management Report of Fund Performance

Related Party Transactions

Strathbridge Asset Management Inc. (“Strathbridge”), as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated November 26, 2010.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated November 26, 2010. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

Strathbridge is paid the fees described under the Management Fees section of this report.

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee (“IRC”) concerning related party transactions.

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 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. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

Canadian Utilities & Telecom Income Fund

Management Report of Fund Performance

Financial Highlights

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

Information for the period ended June 30, 2016 is derived from the Fund's unaudited semi-annual financial statements.

The information for the years ended December 31 is derived from the Fund's audited annual financial statements.

	Six months ended June 30, 2016
NET ASSETS PER UNIT	
Net Assets, beginning of period⁽¹⁾	\$ 10.27
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.24
Total expenses	(0.15)
Realized gain (loss) for the period	0.17
Unrealized gain (loss) for the period	0.62
Total Increase (Decrease) from Operations⁽²⁾	0.88
DISTRIBUTIONS	
From net investment income	(0.22)
From capital gains	-
Non-taxable distributions	(0.15)
Total Distributions⁽³⁾	(0.37)
Net Assets, end of period⁽¹⁾	\$ 10.78

(1) All per unit figures presented in 2016, 2015, 2014 and 2013 are referenced to net assets determined in accordance with IFRS which are derived from the Fund's unaudited financial statements for the six months ended June 30, 2016 and the annual audited financial statements for the years ended December 31, 2015 and 2014. Net assets per unit for all other prior years were derived from the Fund's audited annual financial statements that were prepared in accordance with Canadian generally accepted accounting principles. Net assets per unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the years beginning on or after January 1, 2013 and for all other prior years at bid prices) and the aggregate value of the liabilities divided by the number of units then outstanding.

Six months ended
June 30, 2016

RATIOS/SUPPLEMENTAL DATA

Net Asset Value (\$millions)	\$ 34.53
Number of units outstanding	3,202,175
Management expense ratio ⁽¹⁾	2.24% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	167.12%
Trading expense ratio ⁽³⁾	0.68% ⁽⁴⁾
Net Asset Value per unit ⁽⁵⁾	\$ 10.79
Closing market price	\$ 10.43

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax and withholding taxes but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER for 2016, 2015, 2014 and 2013 includes withholding taxes. The MER for 2016, 2015, 2014 and 2013, excluding withholding taxes is 2.19%, 2.27%, 2.13% and 2.08% respectively. The MER for 2015 and 2014 includes the special resolution expense/(recovery). The MER for 2015 and 2014 excluding the special resolution expense/(recovery) is 2.37% and 2.13% respectively.

(2) 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.

Management Report of Fund Performance

As a result of the adoption of International Financial Reporting Standards (“IFRS”), for June 30, 2016, December 31, 2015, 2014 and 2013, the net assets per unit presented in the financial statements and the net asset value per unit calculated weekly are both valued at closing prices. For all other prior periods ended December 31, 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.

		Years Ended December 31							
		2015	2014	2013	2012	2011			
\$	12.62	\$	11.77	\$	12.15	\$	12.40	\$	11.23
	0.48		0.52		0.53		0.48		0.55
	(0.33)		(0.32)		(0.31)		(0.28)		(0.26)
	(0.64)		1.45		0.50		1.00		0.20
	(1.06)		0.31		(0.27)		(0.71)		1.52
	(1.55)		1.96		0.45		0.49		2.01
	–		(0.50)		(0.25)		(0.46)		(0.06)
	–		(0.51)		–		(0.26)		–
	(0.80)		(0.06)		(0.60)		(0.13)		(0.78)
	(0.80)		(1.07)		(0.85)		(0.85)		(0.84)
\$	10.27	\$	12.62	\$	11.77	\$	12.13	\$	12.40

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), 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.

		Years Ended December 31							
		2015	2014	2013	2012	2011			
\$	36.04	\$	45.31	\$	45.00	\$	52.02	\$	62.83
	3,509,502		3,590,002		3,823,500		4,281,300		5,060,000
	2.35%		2.19%		2.14%		2.01%		1.96%
	315.92%		322.56%		228.39%		169.22%		168.08%
	0.58%		0.43%		0.44%		0.30%		0.32%
\$	10.27	\$	12.62	\$	11.77	\$	12.15	\$	12.42
\$	9.86	\$	12.92	\$	11.67	\$	11.75	\$	12.00

(3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.

(4) Annualized.

(5) Net asset value per unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, divided by the number of units then outstanding.

Canadian Utilities & Telecom Income Fund

Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager of the Fund, 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. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is 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 for required administrative services to the Fund.

Past Performance

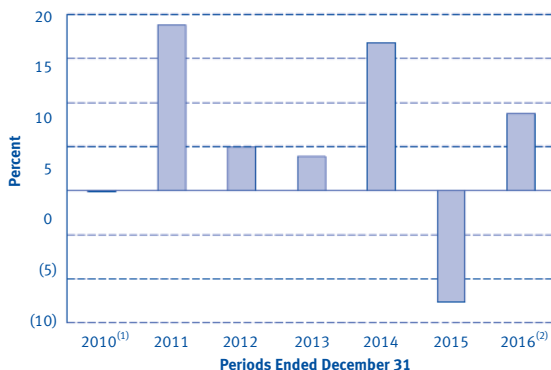
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions made by the Fund during these periods were reinvested in units of the Fund,
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past six years and for the six months ended June 30, 2016. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception on December 17, 2010 would have increased or decreased by the end of the fiscal year or June 30, 2016 for the six months ended.

Total Return



⁽¹⁾ For the period from December 17, 2010, the inception of the Fund, to December 31, 2010.

⁽²⁾ For the six months ended June 30, 2016.

Portfolio Manager Report

Stock market performance in the first half of 2016 can be characterized by significant weakness to start off the year due to stagnant economic growth and increasingly ineffective monetary policy which led to a lack of investor confidence. However, after most stock markets hit new lows in early February, they staged a meaningful recovery which continued through the second quarter of 2016. Oil prices which declined over 30 percent to a low of US\$26.21 on February 11, 2016 have maintained a steady uptrend since, topping US\$50 per barrel by mid-June and brought much of the energy complex along with it. Soft commodities were also generally higher during the first six months of 2016. The main commodity story, however, was gold. It is the best performing asset class so far in 2016, up over 24 percent. One might expect to see elevated volatility as investors often flock to gold in times of crisis; however, this was not the case. Interest rates remain low and have even gone into negative levels in some regions, notably Europe and Japan. Surprisingly, stock markets have been calm allowing the VIX (“CBOE Volatility Index”) to drift lower through much of the period. The first half of 2016 was punctuated with “Brexit”. The word was coined to describe Great Britain’s exit from the European Union (“EU”). A referendum was held on June 23 and the people voted 52-48 percent to leave the EU in a surprise upset. The news roiled global markets immediately following the event but North American markets have since fully recovered. The longer term impacts on the region and the world are not yet known.

The net asset value (“NAV”) per unit of the Fund was \$10.79 at June 30, 2016 compared to \$10.27 at December 31, 2015. Unitholders received cash distributions of \$0.37 per unit during the period. The Fund’s units listed on the Toronto Stock Exchange as UTE.UN, closed on June 30, 2016 at \$10.43 per unit, which represents a 3.3 percent discount to the NAV per unit.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2016 was 8.7 percent. In comparison, the S&P/TSX Capped Utilities Index and the S&P/TSX Capped Telecommunication Services Index both had a total return of 17.3 percent for the same period. The best performing stock within the portfolio was TransCanada Corporation which rose 32.2 percent during the period as oil prices recovered. Manitoba Telecom Services Inc. also showed strong performance on news that it is being acquired by BCE Inc. At the other end of the spectrum, Just Energy Group Inc. was the laggard, down 18.3 percent for the period after falling as much as 11 percent following its earnings announcement of customer reductions at its Consumer Division.

While volatility levels were elevated during the first two months of the year, volatility started to fade and fall drastically and remained at the low end of the historical range for the rest of the period until the surprise “Brexit” vote resulted in a minor spike higher. The covered call writing activity was opportunistic over the period and took advantage of signals generated by the Strathbridge Selective Overwriting (“SSO”) strategy. The Fund’s equity investments were more written during the first quarter of the year but on average was written on 6 percent of the portfolio. The net realized gain on options attributable to the SSO strategy was \$0.06 per unit for the first six months of 2016. The Fund maintained a higher cash position on average during the first quarter but reduced its cash position and got more invested during the second quarter closing the period with a cash position of 4.5 percent. The allocation between the two sectors at June 30, 2016 was approximately 85 percent invested in Utilities with the remaining 15 percent invested in Telecommunication Services.

Stocks within the portfolio continued to raise their dividends during the period as evidenced by a few notable examples: ATCO Ltd, Enbridge Inc. and TransCanada Corporation which increased their dividends by 15.2 percent, 14.0 percent and 8.6 percent, respectively.

Canadian Utilities & Telecom Income Fund

Management Report of Fund Performance

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at www.strathbridge.com.

Asset Mix

June 30, 2016

	% of Net Asset Value
Utilities	85.6 %
Telecommunication Services	19.4 %
Cash	4.5 %
Other Assets (Liabilities)	(9.5)%
	100.0%

Portfolio Holdings

June 30, 2016

	% of Net Asset Value
TransCanada Corporation	8.2 %
Veresen Inc.	7.5 %
ATCO Ltd.	6.6 %
Algonquin Power & Utilities Corp.	6.6 %
TransAlta Corporation	6.5 %
Enbridge Inc.	6.0 %
Fortis Inc.	5.7 %
Rogers Communications, Inc.	5.5 %
BCE Inc.	5.5 %
Northland Power Inc.	5.4 %
AT&T Inc.	4.6 %
Cash	4.5 %
Just Energy Group Inc.	4.4 %
Innergex Renewable Energy Inc.	3.9 %
Superior Plus Corp.	3.9 %
Manitoba Telecom Services Inc	3.8 %
Pembina Pipeline Corporation	3.8 %
Parkland Fuel Corporation	3.8 %
Inter Pipeline Fund L.P.	3.7 %
The AES Corporation	3.5 %
CMS Energy Corporation	2.1 %
DTE Energy Company	2.1 %
Brookfield Renewable Energy Partners L.P.	1.9 %

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events 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 events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

Management's Responsibility for Financial Reporting

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

The condensed financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the condensed financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2015.

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 matters, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, The Fund's independent auditor, has full and unrestricted access to the Board.



John P. Mulvihill
Director
Strathbridge Asset Management Inc.



John D. Germain
Director
Strathbridge Asset Management Inc.

August 4, 2016

Canadian Utilities & Telecom Income Fund

Notice to Unitholders

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2016 have been prepared by management and have not been reviewed by the independent auditor of the Fund.

Condensed Financial Statements

Statements of Financial Position

As at June 30, 2016 (Unaudited) and December 31, 2015 (Audited)

	Note	June 30, 2016	Dec. 31, 2015
ASSETS			
Financial assets at fair value through profit or loss	2	\$ 36,258,402	\$ 34,205,450
Derivative assets	2	1,213	–
Dividends receivable		167,603	204,689
Cash		1,566,006	1,915,669
TOTAL ASSETS		37,993,224	36,325,808
LIABILITIES			
Redemptions payable		3,314,952	–
Accrued liabilities		73,445	84,872
Derivative liabilities	2	37,557	164,236
Accrued management fees	5	33,715	33,658
TOTAL LIABILITIES		3,459,669	282,766
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS		\$ 34,533,555	\$ 36,043,042
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT		\$ 10.7844	\$ 10.2701

The notes are an integral part of the Condensed Financial Statements.

Canadian Utilities & Telecom Income Fund

Condensed Financial Statements

Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

	Note	2016	2015
INCOME			
Dividend income		\$ 851,597	\$ 913,398
Interest income		1,590	526
Net realized gain/(loss) on investments at fair value through profit or loss	3	(6,109)	820,529
Net realized gain on options at fair value through profit or loss	3	227,818	57,225
Net realized gain/(loss) on forward exchange contracts at fair value through profit or loss	3	360,154	(492,538)
Net change in unrealized gain/loss on investments at fair value through profit or loss	3	2,193,141	(4,258,369)
TOTAL INCOME/(LOSS), NET		3,628,191	(2,959,229)
EXPENSES			
Management fees	5	202,376	235,143
Service fees		69,731	85,038
Administrative and other expenses		46,274	93,446
Transaction fees	6	124,928	149,079
Custodian fees		24,229	29,316
Audit fees		15,119	15,036
Advisory board fees	5	10,200	9,600
Independent review committee fees	5	3,410	3,509
Legal fees		2,247	14,425
Unitholder reporting costs		7,165	8,039
Harmonized sales tax		19,016	24,243
Withholding taxes		10,500	11,564
TOTAL EXPENSES		535,195	678,438
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	7	\$ 3,092,996	\$ (3,637,667)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT	7	\$ 0.8813	\$ (1.0134)

The notes are an integral part of the Condensed Financial Statements.

Condensed Financial Statements

Statements of Changes in Equity

Six months ended June 30, 2016 (Unaudited)

	Unit Capital	Retained Earnings/(Deficit)	Total
BALANCE AT JANUARY 1, 2015	\$ 40,448,652	\$ 4,864,665	\$ 45,313,317
Decrease in Net Assets Attributable to Equity Holders	–	(5,519,258)	(5,519,258)
Distributions			
Non-taxable distributions	–	(2,850,955)	(2,850,955)
Value for units redeemed	(906,996)	6,934	(900,062)
BALANCE AT DECEMBER 31, 2015	\$ 39,541,656	\$ (3,498,614)	\$ 36,043,042
Increase in Net Assets Attributable to Equity Holders	–	3,092,996	3,092,996
Distributions			
From net investment income	–	(768,044)	(768,044)
Non-taxable distributions	–	(519,487)	(519,487)
Value for units redeemed	(3,462,662)	147,710	(3,314,952)
BALANCE AT JUNE 30, 2016	\$ 36,078,994	\$ (1,545,439)	\$ 34,533,555

The notes are an integral part of the Condensed Financial Statements.

Statements of Cash Flows

Six months ended June 30 (Unaudited)

	2016	2015
CASH, BEGINNING OF YEAR	\$ 1,915,669	\$ 458,682
Cash Flows Provided by (Used In) Operating Activities		
Increase/(Decrease) in Net Assets Attributable to Equity Holders	3,092,996	(3,637,667)
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities		
Net realized (gain)/loss on investments at fair value through profit or loss	6,109	(820,529)
Net realized gain on options at fair value through profit or loss	(227,818)	(57,225)
Net realized (gain)/loss on forward exchange contracts at fair value through profit or loss	(360,154)	492,538
Net change in unrealized gain/loss on investments at fair value through profit or loss	(2,193,141)	4,258,369
Net change in unrealized gain/loss on foreign cash	(38,847)	142
(Increase)/decrease in dividends receivable, due from brokers - investments and interest receivable	37,086	(3,189,142)
Increase/(decrease) in accrued liabilities, accrued management fees and due to brokers - investments	(11,370)	1,011,695
Purchase of investment securities	(56,924,412)	(70,776,631)
Proceeds from disposition of investment securities	57,557,419	75,481,086
	(2,155,128)	6,400,303
Cash Flows Used in Financing Activities		
Unit distributions	(1,287,531)	(1,532,751)
Net Increase/(Decrease) in Cash during the Period	(349,663)	1,229,885
CASH, END OF PERIOD	\$ 1,566,006	\$ 1,688,567
Dividends received, net of withholding taxes	\$ 804,011	\$ 955,450
Interest received	\$ 1,590	\$ 526

The notes are an integral part of the Condensed Financial Statements.

Canadian Utilities & Telecom Income Fund

Schedule of Investments

As at June 30, 2016 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Equity Holders
INVESTMENTS				
Canadian Common Shares				
Telecommunication Services				
BCE Inc.	30,800	\$ 1,822,154	\$ 1,883,112	
Manitoba Telecom Services Inc	34,900	1,066,135	1,323,757	
Rogers Communications, Inc.	36,700	1,871,944	1,919,410	
Total Telecommunication Services		4,760,233	5,126,279	13.6 %
Utilities				
Algonquin Power & Utilities Corp.	193,000	2,200,570	2,294,770	
ATCO Ltd.	50,700	2,154,175	2,297,724	
Brookfield Renewable Energy Partners L.P.	17,400	634,672	669,204	
Enbridge Inc.	37,655	1,934,321	2,060,858	
Fortis Inc.	45,000	1,768,884	1,965,150	
Innervex Renewable Energy Inc.	93,900	1,031,913	1,360,611	
Inter Pipeline Fund L.P.	47,100	1,266,442	1,290,540	
Just Energy Group Inc.	194,900	1,594,777	1,528,016	
Northland Power Inc.	83,300	1,655,303	1,849,260	
Parkland Fuel Corporation	57,800	1,296,909	1,299,922	
Pembina Pipeline Corporation	33,300	1,160,648	1,307,358	
Superior Plus Corp.	125,800	1,333,481	1,341,028	
TransAlta Corporation	332,500	2,092,922	2,234,400	
TransCanada Corporation	48,150	2,417,564	2,814,849	
Veresen Inc.	238,000	2,157,566	2,606,100	
Total Utilities		24,700,147	26,919,790	71.1 %
Total Canadian Common Shares		\$ 29,460,380	\$ 32,046,069	84.7 %
United States Common Shares				
Telecommunication Services				
AT&T Inc.	28,300	\$ 1,470,079	\$ 1,588,108	4.2 %
Utilities				
CMS Energy Corporation	11,900	699,571	708,745	
DTE Energy Company	5,500	695,849	708,000	
The AES Corporation	74,500	1,142,707	1,207,480	
Total Utilities		2,538,127	2,624,225	6.9 %
Total United States Common Shares		\$ 4,008,206	\$ 4,212,333	11.1 %

Schedule of Investments

As at June 30, 2016 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets Attributable to Equity Holders
Forward Exchange Contracts				
Sold USD \$1,000,000, Bought CAD \$1,276,160 @ 0.78360 - July 5, 2016			\$ (22,511)	
Sold USD \$300,000, Bought CAD \$390,816 @ 0.76762 - July 5, 2016			1,213	
Sold USD \$500,000, Bought CAD \$645,170 @ 0.77499 - July 20, 2016			(4,128)	
Total Forward Exchange Contracts			\$ (25,426)	(0.1)%
Options				
Written Covered Call Options (100 shares per contract)				
Superior Plus Corp. - July 2016 @ \$11	(753)	\$ (25,602)	\$ (10,918)	
Total Options		\$ (26,602)	\$ (10,918)	0.0 %
Adjustment for transaction fees		(45,834)		
TOTAL INVESTMENTS		\$ 33,397,150	\$ 36,222,058	95.7 %
OTHER NET ASSETS			1,626,449	4.3 %
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS			\$ 37,848,507	100.0 %

Canadian Utilities & Telecom Income Fund

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

1. Basis of Presentation

The condensed semi-annual financial statements for Canadian Utilities & Telecom Fund (the “Fund”) have been prepared in compliance with International Financial Reporting Standards (“IFRS”), specifically the International Accounting Standard (“IAS”) 34 Interim Financial Reporting. However, not all disclosures required by IFRS for annual financial statements have been presented and, accordingly, these condensed semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2015.

These condensed semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2015.

These condensed financial statements were approved by the Board of Advisors on August 4, 2016.

2. Risks Associated with Financial Instruments

The various types of risks associated with its investment strategies, financial instruments and markets in which the Fund invests remain unchanged from the prior year and are described in Note 6 of the audited financial statements for the year ended December 31, 2015.

Credit Risk

During the periods ended June 30, 2016 and December 31, 2015, the counterparties to the Fund’s derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor’s Ratings Services.

Liquidity Risk

The amounts in the table are the contractual undiscounted cash flows:

	As at June 30, 2016		
	Financial Liabilities		
	On Demand	< 3 months	Total
Redemptions payable	\$ –	\$ 3,314,952	\$ 3,314,952
Accrued liabilities	–	73,445	73,445
Derivative liabilities	–	37,557	37,557
Accrued management fees	–	33,715	33,715
	\$ –	\$ 3,459,669	\$ 3,459,669

	As at December 31, 2015		
	Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ –	\$ 164,236	\$ 164,236
Accrued liabilities	–	84,872	84,872
Accrued management fees	–	33,658	33,658
	\$ –	\$ 282,766	\$ 282,766

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

Market Risk

(a) Currency Risk

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2016 and December 31, 2015 in Canadian dollar terms, and the notional amounts of foreign exchange forward contracts. The table also illustrates the potential impact on the net assets attributable to equity holders if the Canadian dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

	As at June 30, 2016 U.S. Currency Exposure					
				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$ 1,154,310	\$ 4,212,333	\$ 5,366,643	\$ 57,716	\$ 210,617	\$ 268,333
% of Net Assets Attributable to Equity Holders	3%	12%	15%	0%	1%	1%

	As at December 31, 2015 U.S. Currency Exposure					
				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$(1,490,554)	\$ 4,509,024	\$ 3,018,470	\$ (74,528)	\$ 225,451	\$ 150,923
% of Net Assets Attributable to Equity Holders	(4)%	13%	9%	0%	1%	1%

(b) Price Risk

Approximately 105 percent (December 31, 2015 - 95 percent) of the Fund's net assets attributable to equity holders held at June 30, 2016 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2016, the net assets attributable to equity holders would have increased or decreased by \$1.8 million (December 31, 2015 - \$1.7 million) respectively or 5.2 percent (December 31, 2015 - 4.7 percent) of the net assets attributable to equity holders all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	June 30, 2016	Dec. 31, 2015
Utilities	81.5%	76.7%
Telecommunication Services	18.5%	23.3%
	100.0%	100.0%

Canadian Utilities & Telecom Income Fund

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

Fair Value Measurement

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2016 and December 31, 2015.

	As at June 30, 2016				Total
	Level 1	Level 2	Level 3		
United States Common Shares	\$ 4,212,333	\$ -	\$ -	\$ 4,212,333	
Canadian Common Shares	32,046,069	-	-	32,046,069	
Forward Exchange Contracts	-	(25,426)	-	(25,426)	
Options	(10,918)	-	-	(10,918)	
	\$ 36,247,484	\$ (25,426)	\$ -	\$ 36,222,058	

	As at December 31, 2015				Total
	Level 1	Level 2	Level 3		
Canadian Common Shares	\$ 29,658,790	\$ -	\$ -	\$ 29,658,790	
United States Common Shares	4,546,660	-	-	4,546,660	
Forward Exchange Contracts	-	(106,600)	-	(106,600)	
Options	(57,636)	-	-	(57,636)	
	\$ 34,147,814	\$ (106,600)	\$ -	\$ 34,041,214	

There were no transfers between Level 1 and Level 2 and the Fund did not hold any financial instruments within Level 3 of the fair value hierarchy during the six months ended June 30, 2016 and during the year ended December 31, 2015.

3. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2016 and December 31, 2015.

	As at June 30, 2016				Total
	Financial Instruments at FVTPL		Financial Instruments at Amortized Cost		
	Designated at Inception	Held for Trading			
Assets					
Non-derivative financial assets	\$ 36,258,402	\$ -	\$ -	\$ 36,258,402	
Derivative assets	-	1,213	-	1,213	
Cash	-	-	1,566,006	1,566,006	
Dividends receivable	-	-	167,603	167,603	
	\$ 36,258,402	\$ 1,213	\$ 1,733,609	\$ 37,993,224	
Liabilities					
Redemption payable	\$ -	\$ -	\$ 3,314,952	\$ 3,314,952	
Accrued liabilities	-	-	73,445	73,445	
Accrued management fees	-	-	33,715	33,715	
Derivative liabilities	-	37,557	-	37,557	
	\$ -	\$ 37,557	\$ 3,422,112	\$ 3,459,669	

	As at December 31, 2015				Total
	Financial Instruments at FVTPL		Financial Instruments at Amortized Cost		
	Designated at Inception	Held for Trading			
Assets					
Non-derivative financial assets	\$ 34,205,450	\$ -	\$ -	\$ 34,205,450	
Dividends receivable	-	-	204,689	204,689	
Cash	-	-	1,915,669	1,915,669	
	\$ 34,205,450	\$ -	\$ 2,120,358	\$ 36,325,808	
Liabilities					
Derivative liabilities	\$ -	\$ 164,236	\$ -	\$ 164,236	
Accrued liabilities	-	-	84,872	84,872	
Accrued management fees	-	-	33,658	33,658	
	\$ -	\$ 164,236	\$ 118,530	\$ 282,766	

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

The following table presents the net gain/(loss) on financial instruments at FVTPL by category for the six months ended June 30, 2016 and 2015.

	June 30, 2016	June 30, 2015
Net Realized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	\$ (6,109)	\$ 820,529
Held for Trading	587,972	(435,313)
	581,863	385,216
Net Change in Unrealized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	2,102,876	(4,288,638)
Held for Trading	90,265	30,269
	2,193,141	(4,258,369)
Net Gain/(Loss) on Financial Instruments at FVTPL	\$ 2,775,004	\$ (3,873,153)

4. Units

For the six months ended June 30, 2016, cash distributions paid to unitholders were \$1,287,531 (June 30, 2015 - \$1,532,751) representing a payment of \$0.37 (June 30, 2015 - \$0.43) per unit.

During the six months ended June 30, 2016, 307,327 (June 30, 2015 - 80,500) units were redeemed with a total retraction value of \$3,314,952 (June 30, 2015 - \$900,062).

During the six months ended June 30, 2016 and year ended December 31, 2015, unit transactions are as follows:

	June 30, 2016	Dec. 31, 2015
Units outstanding, beginning of year	3,509,502	3,590,002
Units redeemed	(307,327)	(80,500)
Units outstanding, end of period	3,202,175	3,509,502

5. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended June 30, 2016 were \$202,376 (June 30, 2015 - \$235,143).

(b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the six months ended June 30, 2016 were \$10,200 (June 30, 2015 - \$9,600).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2016 were \$3,410 (June 30, 2015 - \$3,509).

Canadian Utilities & Telecom Income Fund

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

6. Brokerage Commissions and Soft Dollars

The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended June 30, 2016 and 2015 is disclosed below:

	June 30, 2016	June 30, 2015
Soft Dollars	\$ 79,587	\$ 97,018
Percentage of Total Transaction Fees	63.7%	65.1%

7. Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit

The Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit for the six months ended June 30, 2016 and 2015 is calculated as follows:

	June 30, 2016	June 30, 2015
Increase/(Decrease) in Net Assets Attributable to Equity Holders	\$ 3,092,996	\$(3,637,667)
Weighted Average Number of Units Outstanding during the Period	3,509,502	3,589,667
Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit	\$ 0.8813	\$ (1.0134)

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)

Core Canadian Dividend Trust (CDD.UN)

Low Volatility U.S. Equity Income Fund (LVU.UN)

NDX Growth & Income Fund (NGI.UN)

U.S. Financials Income Fund (USF.UN)

Top 10 Canadian Financial Trust (TCT.UN)

SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)

S Split Corp. (SBN.PR.A/SBN)

Top 10 Split Trust (TXT.PR.A/TXT.UN)

World Financial Split Corp. (WFS.PR.A/WFS)

MUTUAL FUND

U.S. Tactical Allocation Fund

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