



SEMI-ANNUAL  
REPORT

2018

CANADIAN UTILITIES & TELECOM INCOME FUND

  
ASSET MANAGEMENT

### Letter to Unitholders

We are pleased to present the 2018 semi-annual report containing the management report of fund performance and the unaudited financial statements for Canadian Utilities & Telecom Income Fund (the “Fund”).

Stock markets around the world were mixed in the first half of 2018 as investors balanced the positive impact of tax reform in the United States on earnings versus the potential consequences of a global trade war, desynchronized central banks policies as well as valuation concerns as we enter the 10th year since most markets bottomed in the early part of 2009. For the first six months of 2018, the S&P 500 Index and S&P/TSX Composite Index advanced 2.6 percent and 2.0 percent, respectively, while global markets were generally in the red with the MSCI EAFE Index down 2.4 percent and the MSCI Emerging Markets Index off 6.6 percent, as concerns surrounding trade and tariffs weighed them down. The Federal Reserve Open Market Committee (“FOMC”), which seems to be on the most aggressive path of tightening, raised the overnight interest rate twice so far in 2018, to now sit at 2.0 percent. The short-end of the yield curve in the United States has reacted to the tighter FOMC policy with 2-year yields rising to 2.53 percent from 1.88 percent at the end of 2017. Curiously, long-term interest rates have not moved as rapidly, ending the second quarter at 2.86 percent. This dynamic has caused the yield curve to flatten to its lowest point since 2007 and sits just 30 basis points from being inverted, a condition often associated with an imminent recession. Oil prices resumed their ascent in the first half of 2018 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$74.15 per barrel on June 29, 2018, up 22.7 percent from US\$60.42 at the end of 2017. Meanwhile, other commodities did not fare as well with Copper prices off 9.1 percent, Gold down 3.8 percent and Natural Gas off 16 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (“VIX”), picked up in the first half of 2018, spiking to over 50 in early February, after touching all-time lows in November 2017. Given the uncertainty surrounding the global political landscape, trade war rhetoric, NAFTA renegotiations, along with the Federal Reserve continuing to shift monetary policy to one that is less accommodating, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

During the six months ended June 30, 2018, the Fund paid cash distributions of \$0.32 per unit. The net asset value per unit decreased from \$9.95 at December 31, 2017 to \$9.10 at June 30, 2018. The total return of the Fund, including the reinvestment of distributions, was negative 5.3 percent for the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.03 per unit compared to a net realized gain on options of \$0.02 per unit a year ago, partially attributable to the low level of volatility realized during the period. 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, 2018 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](mailto:info@strathbridge.com), or by visiting our website at [www.strathbridge.com](http://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, 2018, cash distributions of \$0.32 per unit were paid to unitholders as compared to \$0.37 per unit last year.

Since the inception of the Fund in December 2010, the Fund has paid total cash distributions of \$6.21 per unit of which \$0.20 were special distributions.

##### Revenue and Expenses

For the six months ended June 30, 2018, the Fund’s total revenue per unit was \$0.23 unchanged from the prior year. Overall expenses decreased \$0.2 million or 38.8 percent from the prior period; however, total expenses per unit increased by \$0.01 per unit to \$0.17 per unit mainly due to a decreased average number of units outstanding during the period. The Fund had a net realized and unrealized loss of \$0.59 per unit in the first half of 2018 as compared to a net realized and unrealized gain of \$0.49 per unit a year earlier.

##### Net Asset Value

The net asset value per unit of the Fund decreased 8.5 percent from \$9.95 at December 31, 2017 to \$9.10 at June 30, 2018. The total net asset value of the Fund decreased by \$2.72 million, from \$18.11 million at December 31, 2017 to \$15.39 million at June 30, 2018, reflecting a decrease in net assets attributable to equity holders of \$0.96 million, unit redemptions of \$1.17 million and cash distributions of \$0.59 million.

#### Recent Developments

There were no recent developments pertaining to the Fund during the six months ended June 30, 2018.

### 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, 2018 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2018
<b>THE FUND'S NET ASSETS PER UNIT</b>	
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>\$ 9.95</b>
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.23
Total expenses	(0.17)
Realized gain (loss) for the period	(0.53)
Unrealized gain (loss) for the period	(0.06)
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>	<b>(0.53)</b>
DISTRIBUTIONS	
From net investment income	(0.08)
From capital gains	-
Non-taxable distributions	(0.24)
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.32)</b>
<b>Net Assets, end of period<sup>(1)</sup></b>	<b>\$ 9.10</b>

(1) All per unit figures presented are derived from the Fund's unaudited financial statements for the six months ended June 30, 2018 and the annual audited financial statements for the years ended December 31. Net assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities divided by the number of units then outstanding.

	Six months ended June 30, 2018
<b>RATIOS/SUPPLEMENTAL DATA</b>	
Net Asset Value (\$millions)	\$ 15.39
Number of units outstanding	1,691,008
Management expense ratio <sup>(1)</sup>	2.98% <sup>(4)</sup>
Portfolio turnover rate <sup>(2)</sup>	135.95%
Trading expense ratio <sup>(3)</sup>	0.74% <sup>(4)</sup>
Net Asset Value per unit <sup>(5)</sup>	\$ 9.10
Closing market price	\$ 8.76

(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 2018, 2017, 2016, 2015, 2014 and 2013, excluding withholding taxes, is 2.97%, 2.34%, 2.17%, 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.

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

Management Report of Fund Performance

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

		Years ended December 31							
		2017	2016	2015	2014	2013			
\$	10.58	\$	10.27	\$	12.62	\$	11.77	\$	12.15
	0.45		0.48		0.48		0.52		0.53
	(0.32)		(0.30)		(0.33)		(0.32)		(0.31)
	0.65		0.69		(0.64)		1.45		0.50
	(0.41)		0.21		(1.06)		0.31		(0.27)
	0.37		1.08		(1.55)		1.96		0.45
	(0.15)		(0.45)		–		(0.50)		(0.25)
	–		–		–		(0.51)		–
	(0.59)		(0.30)		(0.80)		(0.06)		(0.60)
	(0.74)		(0.75)		(0.80)		(1.07)		(0.85)
\$	9.95	\$	10.58	\$	10.27	\$	12.62	\$	11.77

(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							
		2017	2016	2015	2014	2013			
\$	18.11	\$	33.88	\$	36.04	\$	45.31	\$	45.00
	1,819,867		3,202,175		3,509,502		3,590,002		3,823,500
	2.41%		2.21%		2.35%		2.19%		2.14%
	264.98%		318.49%		315.92%		322.56%		228.39%
	0.58%		0.63%		0.58%		0.43%		0.44%
\$	9.95	\$	10.58	\$	10.27	\$	12.62	\$	11.77
\$	10.40	\$	10.26	\$	9.86	\$	12.92	\$	11.67

(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.

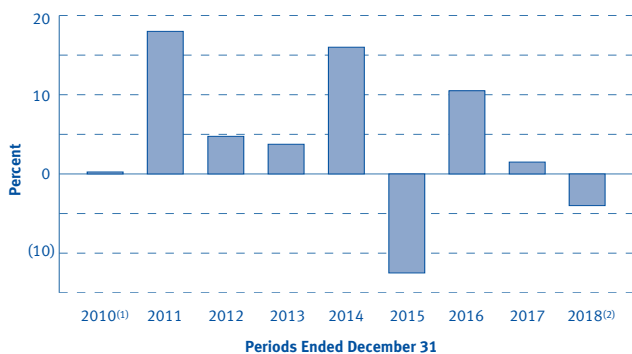
### Past Performance

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 eight years and for the six months ended June 30, 2018. 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, 2018 for the six months ended.



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

<sup>(2)</sup> For the six months ended June 30, 2018.



## Portfolio Manager Report

Stock markets around the world were mixed in the first half of 2018 as investors balanced the positive impact of tax reform in the United States on earnings versus the potential consequences of a global trade war, desynchronized central banks policies as well as valuation concerns as we enter the 10th year since most markets bottomed in the early part of 2009. For the first six months of 2018, the S&P 500 Index and S&P/TSX Composite Index advanced 2.6 percent and 2.0 percent, respectively, while global markets were generally in the red with the MSCI EAFE Index down 2.4 percent and the MSCI Emerging Markets Index off 6.6 percent, as concerns surrounding trade and tariffs weighed them down. The Federal Reserve Open Market Committee (“FOMC”), which seems to be on the most aggressive path of tightening, raised the overnight interest rate twice so far in 2018, to now sit at 2.0 percent. The short-end of the yield curve in the United States has reacted to the tighter FOMC policy with 2-year yields rising to 2.53 percent from 1.88 percent at the end of 2017. Curiously, long-term interest rates have not moved as rapidly, ending the second quarter at 2.86 percent. This dynamic has caused the yield curve to flatten to its lowest point since 2007 and sits just 30 basis points from being inverted, a condition often associated with an imminent recession. Oil prices resumed their ascent in the first half of 2018 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$74.15 per barrel on June 29, 2018, up 22.7 percent from US\$60.42 at the end of 2017. Meanwhile, other commodities did not fare as well with Copper prices off 9.1 percent, Gold down 3.8 percent and Natural Gas off 16 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (“VIX”), picked up in the first half of 2018, spiking to over 50 in early February, after touching all-time lows in November 2017. Given the uncertainty surrounding the global political landscape, trade war rhetoric, NAFTA renegotiations, along with the Federal Reserve continuing to shift monetary policy to one that is less accommodating, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

For the six months ended June 29, 2018, the net asset value (“NAV”) per unit was \$9.10 compared to \$9.95 per unit at December 29, 2017. Unitholders received cash distributions of \$0.32223 per unit during the period. The Fund’s units listed on the Toronto Stock Exchange as UTE.UN, closed on June 29, 2018 at \$8.76 per unit, which represents a \$0.34 or 3.7 percent discount to the NAV per unit.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 29, 2018 was negative 5.3 percent. In comparison, the S&P/TSX Capped Utilities Index, the S&P/TSX Capped Telecommunication Services Index and the S&P/TSX Composite Oil & Gas Storage & Transportation GICS Index returned negative 6.2 percent, negative 3.3 percent and negative 1.8 percent, respectively. The best performing stock within the portfolio was Parkland Fuel Corporation which rose 22.7 percent while held in the portfolio. At the other end of the spectrum, Just Energy Group Inc. was the laggard, down 15.2 percent while held in the Fund.

Volatility was generally higher in the first half of 2018, spiking in February before drifting back towards historically low levels. 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 ended June 29, 2018 with 6.3 percent of the portfolio subject to covered calls. The net realized gain on options attributable to the SSO strategy was \$0.03 per unit for the first six months of 2018. The Fund maintained an average cash position of 8.3 percent during the period and ended with a cash position of 14.6 percent compared to 7.7 percent at the end of 2017, in order to finance the annual retraction. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the period and ended June with approximately 50 percent of the U.S. dollar exposure hedged.

# 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](http://www.strathbridge.com).

#### Asset Mix

June 30, 2018

	% of Net Asset Value
Utilities	72.9 %
Telecommunication Services	19.9 %
Cash	14.6 %
Other Assets (Liabilities)	(7.4)%
	100.0 %

#### Portfolio Holdings

June 30, 2018

	% of Net Asset Value
Cash	14.6 %
Gibson Energy Inc.	6.7 %
AltaGas Ltd.	6.6 %
Rogers Communications, Inc.	6.4 %
Innergex Renewable Energy Inc.	6.3 %
Northland Power Inc.	6.1 %
Capital Power Corporation	5.8 %
Parkland Fuel Corporation	5.6 %
TELUS Corporation	5.6 %
Inter Pipeline Ltd.	5.5 %
Pembina Pipeline Corporation	5.4 %
Keyera Corp.	5.4 %
Shaw Communications Inc. - Class B	4.6 %
Superior Plus Corp.	4.5 %
Algonquin Power & Utilities Corp.	4.4 %
Enbridge Inc.	3.8 %
TransAlta Renewables Inc.	3.6 %
BCE Inc.	3.3 %
Enercare Inc.	3.2 %

#### 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, 2017.

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 9, 2018

### **Notice to Unitholders**

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2018 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, 2018 (Unaudited) and December 31, 2017 (Audited)

	Note	June 30, 2018	Dec. 31, 2017
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	<b>\$ 14,281,125</b>	\$ 16,847,858
Derivative assets	2	<b>1,032</b>	31,781
Dividends receivable		<b>117,342</b>	86,907
Cash		<b>2,254,052</b>	1,390,950
<b>TOTAL ASSETS</b>		<b>16,653,551</b>	18,357,496
<b>LIABILITIES</b>			
Redemptions payable		<b>1,172,681</b>	–
Accrued liabilities		<b>48,131</b>	53,529
Derivative liabilities	2	<b>29,337</b>	4,749
Accrued management fees	4	<b>14,331</b>	15,923
Due to brokers - investments		–	177,654
<b>TOTAL LIABILITIES</b>		<b>1,264,480</b>	251,855
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>\$ 15,389,071</b>	\$ 18,105,641
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT</b>		<b>\$ 9.1005</b>	\$ 9.9489

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	2018	2017
<b>INCOME</b>			
Dividend income		\$ 414,595	\$ 730,743
Interest income		7,209	2,656
Net realized gain/(loss) on investments at fair value through profit or loss		(1,020,138)	1,212,404
Net realized gain on options at fair value through profit or loss		49,204	53,072
Net realized gain/(loss) on forward exchange contracts at fair value through profit or loss		5,197	(24,289)
Net change in unrealized gain/loss on investments at fair value through profit or loss		(103,174)	311,173
<b>TOTAL INCOME/(LOSS), NET</b>		<b>(647,107)</b>	<b>2,285,759</b>
<b>EXPENSES</b>			
Management fees	4	91,082	188,886
Service fees		33,343	67,877
Administrative and other expenses		49,195	73,657
Transaction fees	5	61,760	87,465
Custodian fees		23,708	23,043
Audit fees		14,762	14,406
Advisory board fees	4	10,200	10,200
Independent review committee fees	4	3,750	3,750
Legal fees		496	2,829
Unitholder reporting costs		9,741	8,350
Harmonized sales tax		11,259	17,969
Withholding taxes		1,070	9,016
<b>TOTAL EXPENSES</b>		<b>310,366</b>	<b>507,448</b>
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>	6	<b>\$ (957,473)</b>	<b>\$ 1,778,311</b>
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT</b>	6	<b>\$ (0.5263)</b>	<b>\$ 0.5567</b>

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

## Condensed Financial Statements

## Statements of Changes in Equity

Six months ended June 30, 2018 (Unaudited)

	Unit Capital	Deficit	Total
BALANCE AT JANUARY 1, 2017	\$ 36,078,994	\$ (2,195,526)	\$ 33,883,468
Increase in Net Assets Attributable to Equity Holders	–	955,750	955,750
<b>Distributions</b>			
From net investment income	–	(334,558)	(334,558)
Non-taxable distributions	–	(1,521,376)	(1,521,376)
<b>Value for units redeemed</b>	(15,574,502)	696,859	(14,877,643)
BALANCE AT DECEMBER 31, 2017	\$ 20,504,492	\$ (2,398,851)	\$ 18,105,641
Decrease in Net Assets Attributable to Equity Holders	–	(957,473)	(957,473)
<b>Distributions</b>			
From net investment income	–	(142,763)	(142,763)
Non-taxable distributions	–	(443,653)	(443,653)
<b>Value for units redeemed</b>	(1,451,858)	279,177	(1,172,681)
BALANCE AT JUNE 30, 2018	\$ 19,052,634	\$ (3,663,563)	\$ 15,389,071

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

## Statements of Cash Flows

Six months ended June 30 (Unaudited)

	2018	2017
CASH, BEGINNING OF YEAR	\$ 1,390,950	\$ 2,999,598
<b>Cash Flows Provided by (Used In) Operating Activities</b>		
Increase/(Decrease) in Net Assets Attributable to Equity Holders	(957,473)	1,778,311
<b>Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities</b>		
Net realized (gain)/loss on investments at fair value through profit or loss	1,020,138	(1,212,404)
Net realized gain on options at fair value through profit or loss	(49,204)	(53,072)
Net realized (gain)/loss on forward exchange contracts at fair value through profit or loss	(5,197)	24,289
Net change in unrealized gain/loss on investments at fair value through profit or loss	103,174	(311,173)
Net change in unrealized gain/loss on foreign cash	50,676	(1,011)
Increase in dividends receivable	(30,435)	(15,871)
Decrease in accrued liabilities, accrued management fees and due to brokers - investments	(184,644)	(842,964)
Purchase of investment securities	(20,232,302)	(40,521,609)
Proceeds from disposition of investment securities	21,734,785	42,127,723
	2,406,991	(806,092)
<b>Cash Flows Used in Financing Activities</b>		
Unitholder distributions	(586,416)	(1,197,197)
Net Increase/(Decrease) in Cash during the Period	863,102	(224,978)
CASH, END OF PERIOD	\$ 2,254,052	\$ 2,774,620
Dividends received, net of withholding taxes	\$ 383,090	\$ 705,856
Interest received	\$ 7,209	\$ 2,656

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

# Canadian Utilities & Telecom Income Fund

## Schedule of Investments

As at June 30, 2018 (Unaudited)

	Number of Shares/ (Contracts)	Average Cost/ (Proceeds)	% of Net Assets Fair Attributable to Value Equity Holders	
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Telecommunication Services</b>				
BCE Inc.	9,600	\$ 565,076	\$ 511,104	
Rogers Communications, Inc.	15,700	964,833	980,308	
Shaw Communications Inc. - Class B	26,700	730,635	715,026	
TELUS Corporation	18,400	827,625	859,280	
<b>Total Telecommunication Services</b>		<b>3,088,169</b>	<b>3,065,718</b>	<b>19.9 %</b>
<b>Utilities</b>				
Algonquin Power & Utilities Corp.	52,900	675,159	671,830	
AltaGas Ltd.	37,500	1,003,433	1,018,125	
Capital Power Corporation	35,400	877,858	893,142	
Enbridge Inc.	12,300	622,759	578,100	
Enercare Inc.	27,000	490,430	485,460	
Gibson Energy Inc.	58,800	1,065,238	1,030,764	
Innereg Renewable Energy Inc.	70,600	965,820	974,986	
Inter Pipeline Ltd.	34,300	816,594	845,152	
Keyera Corp.	22,600	804,077	826,708	
Northland Power Inc.	38,200	891,855	937,046	
Parkland Fuel Corporation	26,700	730,633	862,410	
Pembina Pipeline Corporation	18,400	774,706	837,752	
Superior Plus Corp.	54,800	698,161	696,508	
Trans Alta Renewables Inc.	9,800	606,799	557,424	
<b>Total Utilities</b>		<b>11,023,522</b>	<b>11,215,407</b>	<b>72.9 %</b>
<b>Total Canadian Common Shares</b>		<b>\$ 14,111,691</b>	<b>\$ 14,281,125</b>	<b>92.8 %</b>
<b>Forward Exchange Contracts</b>				
Sold USD \$295,000, Bought CAD \$379,600 @ 0.77713 - July 18, 2018			\$ (8,323)	
Sold USD \$70,000, Bought CAD \$93,042 @ 0.75235 - August 15, 2018			1,032	
<b>Total Forward Exchange Contracts</b>			<b>\$ (7,291)</b>	<b>0.0 %</b>
<b>Options</b>				
<b>Written Covered Call Options</b> (100 shares per contract)				
BCE Inc. - July 2018 @ \$54	(16)	\$ (864)	\$ (384)	
Gibson Energy Inc. - July 2018 @ \$17	(263)	(5,523)	(11,350)	
Rogers Communications, Inc. - July 2018 @ \$62	(80)	(8,240)	(9,280)	
<b>Total Written Covered Call Options</b>		<b>(14,627)</b>	<b>(21,014)</b>	<b>(0.2)%</b>
<b>Total Options</b>		<b>\$ (14,627)</b>	<b>\$ (21,014)</b>	<b>(0.2)%</b>
Adjustment for transaction fees		(16,432)		
<b>TOTAL INVESTMENTS</b>		<b>\$ 14,080,632</b>	<b>\$ 14,252,820</b>	<b>92.6 %</b>
<b>OTHER NET ASSETS</b>			<b>1,136,251</b>	<b>7.4 %</b>
<b>NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS</b>			<b>\$ 15,389,071</b>	<b>100.0 %</b>



### 1. Basis of Presentation

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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, 2017.

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, 2017 with the exception of the adoption of IFRS 9: Financial Instruments (“IFRS 9”).

#### Standards, Amendments and Interpretations Effective for the Current Year

The Fund has adopted IFRS 9 for the first time for the period beginning on January 1, 2018.

The adoption of IFRS 9 has been applied retrospectively by the Fund. IFRS 9 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.

Upon adoption of IFRS 9, the Fund’s financial assets and liabilities previously classified as at fair value through profit or loss (“FVTPL”) and amortized cost under IAS 39 “Financial Instruments: Recognition and Measurement”, continued to be classified at FVTPL and amortized cost.

#### Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

##### (a) Classification

##### Financial Assets

The Fund classifies its investments in 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.

##### Held for Trading

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition 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 are included in this category and mandatorily measured at FVTPL.

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

# Canadian Utilities & Telecom Income Fund

## Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

### Financial Assets and Financial Liabilities at Amortized Cost

The financial assets and liabilities measured at amortized cost include cash, dividends receivable, due from brokers - investments, due to brokers - investments, accrued liabilities, accrued management fees, redemptions payable and the Fund's obligation for net assets attributable to equity holders.

IFRS 9 replaced the incurred loss model in IAS 39 with 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 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 ECLs. Given the short-term nature of the receivables and high credit quality, this amendment has not had a material impact on the financial statements and these receivables are not considered impaired.

These condensed financial statements were approved by the Board of Advisors on August 9, 2018.

## 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, 2017.

### Credit Risk

The Fund measures credit risk and lifetime ECLs related to the receivables using historical analysis and forward-looking information in determining the ECL.

During the periods ended June 30, 2018 and December 31, 2017, 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, 2018 Financial Liabilities		
	On Demand	< 3 months	Total
Redemptions payable	\$ -	\$ 1,172,681	\$ 1,172,681
Accrued liabilities	-	48,131	48,131
Derivative liabilities	-	29,337	29,337
Accrued management fees	-	14,331	14,331
	\$ -	\$ 1,264,480	\$ 1,264,480

	As at December 31, 2017 Financial Liabilities		
	On Demand	< 3 months	Total
Due to brokers - investments	\$ -	\$ 177,654	\$ 177,654
Accrued liabilities	-	53,529	53,529
Accrued management fees	-	15,923	15,923
Derivative liabilities	-	4,749	4,749
	\$ -	\$ 251,855	\$ 251,855

## Notes to Condensed Financial Statements

June 30, 2018 (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, 2018 and December 31, 2017 in Canadian dollar terms, and the notional amounts of forward exchange 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, 2018  
U.S. Currency Exposure

	U.S. Currency Exposure			Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$ 487,000	\$ -	\$ 487,000	\$ 24,350	\$ -	\$ 24,350
% of Net Assets Attributable to Equity Holders	3%	0%	3%	0%	0%	0%

As at December 31, 2017  
U.S. Currency Exposure

	U.S. Currency Exposure			Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$ (35,994)	\$ -	\$ (35,994)	\$ (1,800)	\$ -	\$ (1,800)
% of Net Assets Attributable to Equity Holders	0%	0%	0%	0%	0%	0%

## (b) Price Risk

Approximately 93 percent (December 31, 2017 - 93 percent) of the Fund's net assets attributable to equity holders held at June 30, 2018 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2018, the net assets attributable to equity holders would have increased or decreased by \$0.7 million (December 31, 2017 - \$0.8 million) respectively or 4.6 percent (December 31, 2017 - 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, 2018	Dec. 31, 2017
Utilities	78.5%	82.4%
Telecommunication Services	21.5%	17.6%
	100.0%	100.0%

## Canadian Utilities & Telecom Income Fund

### Notes to Condensed Financial Statements

June 30, 2018 (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, 2018 and December 31, 2017.

	As at June 30, 2018				Total
	Level 1	Level 2	Level 3		
Canadian Common Shares	\$ 14,281,125	\$ -	\$ -	\$ 14,281,125	
Forward Exchange Contracts	-	(7,291)	-	(7,291)	
Options	(21,014)	-	-	(21,014)	
	\$ 14,260,111	\$ (7,291)	\$ -	\$ 14,252,820	

	As at December 31, 2017				Total
	Level 1	Level 2	Level 3		
Canadian Common Shares	\$ 16,847,858	\$ -	\$ -	\$ 16,847,858	
Forward Exchange Contracts	-	27,032	-	27,032	
	\$ 16,847,858	\$ 27,032	\$ -	\$ 16,874,890	

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, 2018 and during the year ended December 31, 2017.

#### 3. Units

For the six months ended June 30, 2018, cash distributions paid to unitholders were \$586,416 (June 30, 2017 - \$1,197,197) representing a payment of \$0.32 (June 30, 2017 - \$0.37) per unit.

During the six months ended June 30, 2018, 128,859 (June 30, 2017 - 1,382,308) units were redeemed with a total retraction value of \$1,172,681 (June 30, 2017 - \$14,877,643).

During the six months ended June 30, 2018 and year ended December 31, 2017, unit transactions are as follows:

	June 30, 2018	Dec. 31, 2017
Units outstanding, beginning of year	1,819,867	3,202,175
Units redeemed	(128,859)	(1,382,308)
Units outstanding, end of period	1,691,008	1,819,867

#### 4. Related Party Transactions

##### (a) Management Fees

Total management fees for the six months ended June 30, 2018 were \$91,082 (June 30, 2017 - \$188,886) of which \$14,331 (June 30, 2017 - \$31,545) was unpaid.

##### (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, 2018 were \$10,200 (June 30, 2017 - \$10,200).

Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2018 were \$3,750 (June 30, 2017 - \$3,750).

5. 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, 2018 and 2017 is disclosed below:

	June 30, 2018	June 30, 2017
Soft Dollars	\$ 38,919	\$ 58,076
Percentage of Total Transaction Fees	63.0%	66.4%

6. 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, 2018 and 2017 is calculated as follows:

	June 30, 2018	June 30, 2017
Increase/(Decrease) in Net Assets Attributable to Equity Holders	\$ (957,473)	\$ 1,778,311
Weighted Average Number of Units Outstanding during the Period	1,819,151	3,194,538
Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit	\$ (0.5263)	\$ 0.5567

Investment Funds Managed by  
Strathbridge Asset Management Inc.

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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)

Head Office

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Strathbridge Asset Management Inc.  
121 King Street West, Suite 2600  
P.O. Box 113  
Toronto, Ontario  
M5H 3T9

Tel: 416-681-3966  
Toll Free: 1-800-725-7172  
Fax: 416-681-3901  
Email: [info@strathbridge.com](mailto:info@strathbridge.com)

Visit our website at [www.strathbridge.com](http://www.strathbridge.com) for additional information on all Strathbridge Investment Funds.





[www.strathbridge.com](http://www.strathbridge.com)

Strathbridge Asset Management Inc.  
Investor Relations  
121 King Street West, Suite 2600  
P.O. Box 113  
Toronto, Ontario  
M5H 3T9

Tel: 416-681-3966  
Toll Free: 1-800-725-7172  
Fax: 416-681-3901  
Email: [info@strathbridge.com](mailto:info@strathbridge.com)